MANAGING DIRECTOR'S MESSAGE AND **MANAGEMENT DISCUSSION AND ANALYSIS**

Dear Shareholders,

2017 was a special year for Carlsberg, both for the brand as well as for the Carlsberg Malaysia Group (the Group).

Firstly, it was Carlsberg's 170th anniversary celebration globally as Probably The Best Beer In The World.

Secondly, it was the Group's introduction of a dividend policy that targets a minimum 100% payout of the Group's consolidated yearly net profit via quarterly pay-outs, subject to business prospects, capital requirements, expansion strategy and other factors considered relevant by the Board. This was a decision we made to deliver shareholder value as outlined in our SAIL'22 strategy.

SAIL'22 guides us to address market opportunities, to leverage the competitiveness of our brands and to launch packaging and product innovations, enabling us to tap into growth opportunities in both Malaysia and Singapore.

When combined with the cost efficiencies under 'Fund the Journey', we delivered a year of solid growth in top and bottom-line for the Group.

We achieved this despite the various headwinds during the year, such as the trade offer adjustments in our Singapore operations and the challenges to the business recovery of our associate company Lion Brewery (Ceylon) PLC (LBCP) in Sri Lanka. But, despite these headwinds, I am proud that we successfully executed the strategic priorities as set forth in SAIL'22, which has been a key priority in our Malaysia and Singapore operations since I took the helm in July 2016.

SAIL'22

We delivered a solid performance in Malaysia with profit from operations growing by 10.6% to RM216.4 million on the back of revenue growth of 6.8% to RM1.17 billion year-on-year. We experienced a better performance in LBCP, Sri Lanka with a share of loss of RM0.2 million in 2017 versus RM5.1 million in 2016, when floods severely impacted the brewery.

EXECUTION OF OUR STRATEGY – SAIL'22

Overall, 2017 was a satisfactory year for the Group.

We delivered a solid performance in Malaysia with profit from operations growing by 10.6% to RM216.4 million on the back of revenue growth of 6.8% to RM1.17 billion year-on-year. We experienced a better performance in LBCP, Sri Lanka with a share of loss of RM0.2 million in 2017 versus RM5.1 million in 2016, when floods severely impacted the brewery.

The Group free cash flow increased 36.1% to RM305.3 million contributed by strong underlying performance and better working capital management.

The strong overall result was partly offset by the regrettable trade offer adjustments of RM17.2 million in our Singapore operations related to prior years.

Our solid performance is the result of our employees' successful execution of our SAIL'22 strategy.

SAIL'22 consists of 'Grow in Mainstream', 'Win in Store' and 'Fund the Journey' under the strategic pillars 'Strengthen the Core' and 'Go Big in Premium' and 'Build New Revenue Streams' under the strategic pillar of 'Position for Growth'.

The final strategic pillar 'Deliver Value for Shareholders' has 'Growth in Net Profit' and 'High and Stable Dividend Yield' as strategic priorities.

Underpinning these three pillars and seven strategic priorities are the two enablers: 'Create a Winning Culture' and 'Defend Our License To Operate'.

An illustration of our Purpose, Ambition and SAIL'22 strategic pillars and priorities is shown on the next page.

A PURPOSE-DRIVEN COMPANY

In 2017, Carlsberg turned 170 years.

Celebrating our anniversary brought to the fore the strong history of the Carlsberg Group, including our founder's unwavering belief in quality, perfection and importance of science for continuously perfecting the art of brewing.

The pioneering spirit, passion for brewing and contribution to society have made us who we are. We focus on our brands and the art of brewing, excite our consumers with quality brews and take pride in continuously striving to improve everything we do.

This reflects our Purpose: **Brewing for a better today and tomorrow**.

Our corporate strategy, SAIL'22 guide us toward our ambition to be a successful, professional and attractive brewer in our markets:
successful by delivering sustainable organic top- and bottom-line growth;
professional by being the preferred supplier of our consumers and customers; and attractive by delivering value for shareholders, employees and society

STRENGTHEN THE CORE

- Grow in Mainstream
- Win in Store
- Fund the Journey

POSITION FOR GROWTH

- Go Big in Premium
- Build New Revenue Streams

DELIVER VALUE FOR SHAREHOLDERS

- Growth in Net Profit
- High and Stable Dividend Yield

CREATE A WINNING CULTURE

DEFEND OUR LICENSE TO OPERATE

STRENGTHEN THE CORE

To strengthen our core business, we have been investing in our flagship brand Carlsberg and our innovation Carlsberg Smooth Draught and realised cost efficiencies under the 'Fund the Journey' programme.

Carlsberg and Carlsberg Smooth Draught grew in mainstream

Our flagship brand Carlsberg and proud product innovation Carlsberg Smooth Draught celebrated Carlsberg's 170th anniversary with a successful 2017.

In our Malaysia and Singapore operations, total Carlsberg volume grew by 7% in 2017 as compared to 2016.

Bringing alive the tagline of 'Probably The Best Beer In The World' for Carlsberg and Carlsberg Smooth Draught as 'Probably The Smoothest Beer In The World', Malaysian and Singaporean consumers celebrated Chinese New Year with a bang, with 'Probably The Best Year With Golden Opportunities' campaign in the first quarter.

This was followed by 'Probably The Best Brewery Tour', commemorating the 170th anniversary celebration in the second quarter, a national promotion in Malaysia that rewarded our consumers with brewery tours.

In the third quarter, we activated 'Probably The Best Oktoberfest' campaign in Malaysia bringing consumers together celebrating the festival of beer, food and music. We ended the year with the exclusive launch of the limited-edition Carlsberg-Liverpool beer, which marked the 25th year of partnership between Carlsberg and Liverpool Football Club.

To deliver on Carlsberg Smooth Draught's promise to consumers 'Now You Can Get Draught Anywhere!' we increased the availability of Carlsberg Smooth Draught by launching 500ml cans and 325ml bottles.

Carlsberg Smooth Draught is matured longer for its signature smoothness, answering many beer lovers' request for the taste of freshly tapped draught beer in a can and bottle.

In less than 24 months, Carlsberg Smooth Draught has become a major success and a winning taste among consumers, supported by major marketing campaigns, promotions and massive sampling, making it our biggest and most successful beer innovation in years.

Met targets to Fund the Journey ahead

In 2017, we continued to execute our 'Fund the Journey' programme, which focuses on achieving cost efficiencies.

We exceeded efficiency targets for our Supply Chain, Operating Expense and Value Management initiatives while also delivering better profitability through product and price mix in Malaysia and Singapore.

Part of the benefits from the programme were reinvested into the business.

POSITION FOR GROWTH

Grow in Mainstream	**+7%**	with Carlsberg and Carlsberg Smooth Draught
Win in Store	**Met Target**	with better in-store execution
Fund the Journey	**Exceeded Target**	with cost efficiencies

POSITION FOR GROWTH

As part of our strategic SAIL'22 pillar 'Position for Growth', we outlined the two priorities of 'Go Big in Premium' and 'Build New Revenue Streams', which drives current and future top- and bottom-line growth.

Go Big in Premium with Kronenbourg 1664 Blanc, Somersby Cider, Asahi Super Dry and Connor's Stout Porter

Our premium brands Kronenbourg 1664 Blanc, Somersby Cider, Asahi Super Dry and Connor's Stout Porter all recorded double-digit sales growth in 2017.

Consumer demand for products with superior taste and differentiated branding is clearly increasing and our portfolio of premium brands is well positioned for the future.

Total volume growth of our four premium brands was 24% in 2017 and provided a significant contribution to profitability.

Kronenbourg 1664 Blanc grew 44% in 2017 with the fruity French wheat beer gaining more followers in both Malaysia and Singapore.

The new marketing campaign 'Pause for Le Moment' was activated in conjunction with the Bastille Day and Christmas in Malaysia. Giant Christmas trees were creatively built out of the iconic blue Kronenbourg 1664 Blanc bottles as part of the 'Pause for a Blue Christmas' campaign. We also launched elegant new designs for Kronenbourg 1664 Blanc's 320ml can, can multipack design and beer tower.

Somersby Cider, available in Apple, Blackberry, Pear, Cranberry and Elderflower Lime, continued its fast-paced growth of 27% year-on-year. Somersby, the leading cider brand in Malaysia and Singapore, activated the digital-led marketing campaign #MagicMoments, continued nationwide sampling via the AppleFull campaign and had a successful Apple Day celebration in Malaysia.

Innovating the cider drinking experience, we launched Somersby Sparkling Rosé in Malaysia, a semi-sweet apple rosé with juicy red berries, for the Christmas and New Year's Eve celebrations. In Singapore we launched Somersby Elderflower Lime with a fruity, fragrant taste and a twist of fresh lime.

Asahi Super Dry, Japan's no.1 premium beer with its signature clean after-taste, grew 14% in 2017. In Malaysia, Asahi brought the Japanese EDM clubbing experience to life via the Club Asahi parties in major cities of Malaysia. In Singapore, Asahi was launched in big sharing bottles in coffee shops and food courts.

Our draught, Connor's Stout Porter had another great year in 2017 with a growth of 42% year-on-year. The 'Connor's Challenge' campaign successfully introduced the rich-tasting draught stout to 20,000 new consumers via activations and tastings in more than 170 outlets with its consumer promise of 'Just Made Right' with guaranteed taste satisfaction.

'Drive New Revenue Streams' by venturing into craft beer

The growth of craft beers is a rapidly evolving trend in Europe, North America and parts of Asia. The Group is seizing this opportunity in Singapore and Malaysia by launching the US award-winning craft beers Brooklyn East IPA and Brooklyn Lager by the Brooklyn Brewery, imported from New York City, catering to beer connoisseurs.

In Singapore, we introduced Brooklyn East IPA and Brooklyn Lager in draught and bottles during the Singapore Beer Festival in August with approximately 8,000 participants. In Malaysia, we launched Brooklyn Brewery in December in selected bars in the Klang Valley. Craft beers in Malaysia are still niche, but we are determined to lead this segment as it develops.

POSITION FOR GROWTH

Go Big in Premium	+24%	with Kronenbourg 1664 Blanc, Somersby Cider, Asahi Super Dry and Connor's Stout Porter
Build New Revenue Streams	2 craft brews	Brooklyn Lager and Brooklyn East IPA launched in Malaysia and Singapore

DELIVERING VALUE FOR SHAREHOLDERS

Growth in Net Profit

The Group achieved a net profit of RM221.2 million, a 7.9% year-on-year gain, on the back of revenue growth of 5.3% to RM1.77 billion in 2017. The main drivers were higher sales and premiumisation in the Malaysia operations, effective cost management via the Fund the Journey programme as well as improved results from LBCP in Sri Lanka.

Profit before tax (PBT) was at RM294.8 million. Profit after tax (PAT) was higher by 10.3% at RM232.4 million due to higher sales, good cost controls, improved results in Lion Brewery (Ceylon) PLC as well as lower tax expense offset by trade offer adjustments in the Singapore operations.

Our balance sheet remained strong with Net Interest Bearing Debt at RM60.4 million. Total assets amounted to RM651.4 million (2016: RM661.5 million), while total equity reduced marginally due to a higher dividend payout.

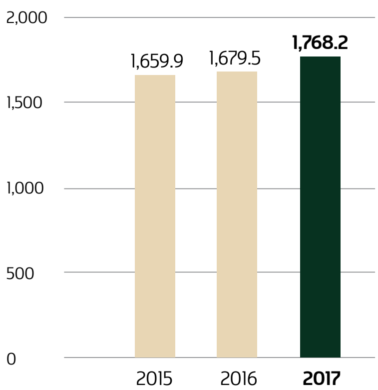
Revenue from our Malaysia operations increased by 6.8% to RM1.17 billion, mainly driven by a higher volume and portfolio premiumisation. Profit from operations improved by RM20.7 million or 10.6%, contributed by the increase in revenue and cost control via Fund the Journey initiatives.

Free cash flow stands at RM198.2 million, an increase of 40.7% in 2017 versus 2016.

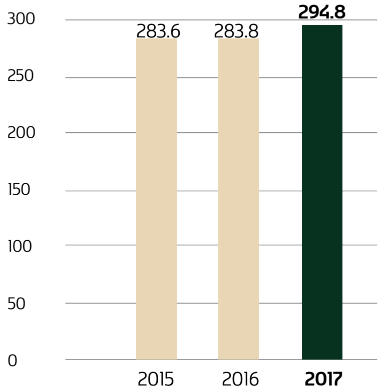
In our Singapore operations, revenue grew by 2.4% to RM597.3 million, though profit from operations declined by 16.1% to RM82.6 million mainly due to the aforementioned trade offer adjustments of RM17.2 million related to prior years.

The trade offer adjustments have no impact on free cash flow. Free cash flow stands at RM107.1 million, an increase of 28.4% in 2017 as compared to 2016.

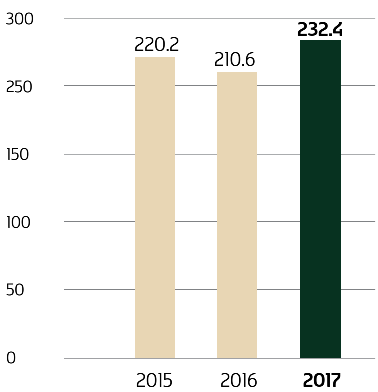
Revenue
(RM Million)



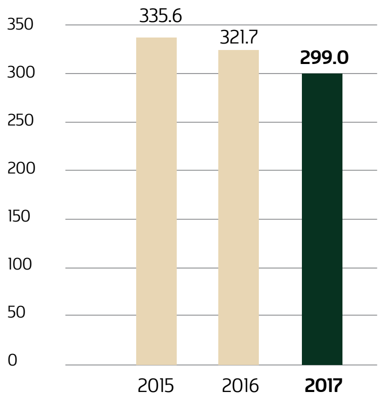
Profit Before Tax
(RM Million)



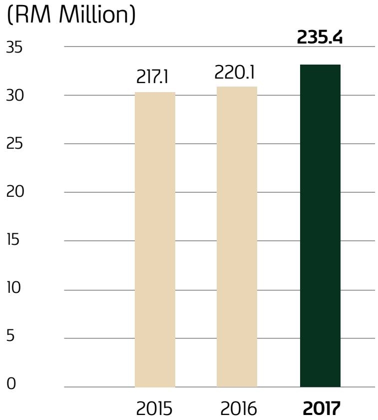
Profit After Tax
(RM Million)



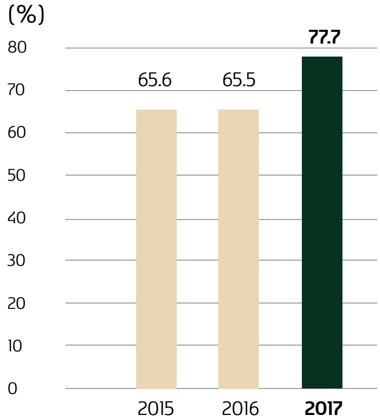
Shareholders' Fund
(RM Million)

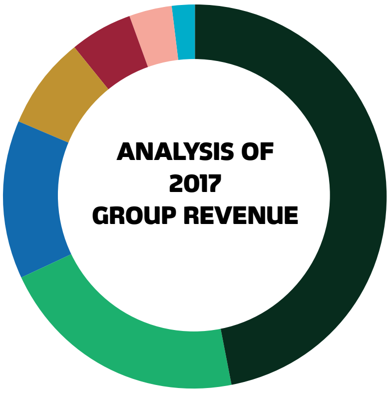


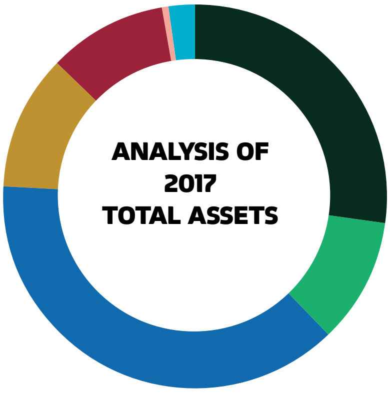
Dividends
(RM Million)

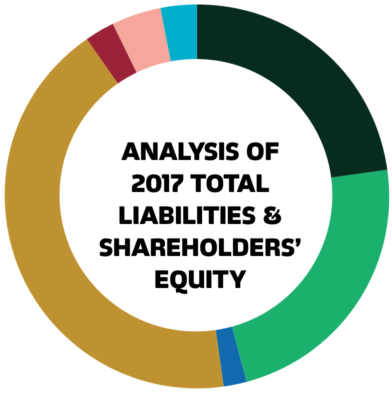


Return on Shareholders' Fund
(%)









Excise & Customs Duties
2016 44.9%
2017 47.1%

Sales, Distribution, Administration & Other Costs
2016 22.7%
2017 20.8%

Profit After Tax
2016 12.5%
2017 13.1%

Raw & Packaging Materials Costs
2016 7.7%
2017 7.8%

Staff Costs
2016 5.8%
2017 5.8%

Taxation
2016 4.4%
2017 3.5%

Depreciation
2016 2.0%
2017 1.9%

Property, Plant and Equipment
2016 26.0%
2017 27.3%

Inventories
2016 14.6%
2017 10.5%

Receivables, Deposits and Prepayments
2016 40.8%
2017 38.1%

Cash and Cash Equivalents
2016 5.5%
2017 11.5%

Investments
2016 11.0%
2017 9.9%

Intangible Assets
2016 0.7%
2017 0.5%

Other Assets
2016 1.4%
2017 2.2%

Share Capital
2016 23.3%
2017 22.9%

Reserves
2016 25.3%
2017 23.0%

Minority Interest
2016 1.3%
2017 2.1%

Payables and Accruals
2016 38.4%
2017 42.4%

Loans and Borrowings
2016 5.0%
2017 2.6%

Current Tax Liabilities
2016 4.4%
2017 4.0%

Deferred Tax Liabilities
2016 2.3%
2017 3.0%

STATEMENTS OF COMPREHENSIVE INCOME (RM - MILLION)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	960.2	1,045.5	1,368.2	1,489.4	1,584.8	1,555.1	1,635.1	1,659.9	1,679.5	**1,768.2**
Profit Before Tax	101.3	102.6	176.5	220.4	245.7	236.4	274.3	283.6	283.8	**294.8**
Taxation	25.2	25.9	42.4	53.0	51.9	49.8	57.3	63.4	73.2	**62.4**
Profit After Tax	76.1	76.7	134.1	167.4	193.8	186.6	216.9	220.2	210.6	**232.4**
Dividends	79.2	28.7	58.5	127.3	171.6	192.6	186.5	217.1	220.1	**235.4**
Retained Earnings	(3.1)	48.0	75.6	40.1	22.2	(6.0)	30.4	3.1	(9.5)	**(3.0)**

STATEMENTS OF FINANCIAL POSITION (RM - MILLION)

			I---Restated	--I						
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Issued and Paid-up Share Capital	142.0	142.0	142.0	142.0	142.0	142.0	142.0	142.0	142.0	**149.4**
Retained Earnings	316.0	363.5	91.5	130.4	148.7	140.0	165.1	163.9	148.8	**133.7**
Call and Put Option Reserve	–	–	–	–	–	(20.1)	(10.6)	–	–	**–**
Non-Distributable Reserves	10.1	9.3	11.8	13.0	8.3	11.8	15.7	29.7	30.9	**15.9**
Shareholders' Fund	468.1	514.8	245.3	285.4	299.0	273.7	312.2	335.6	321.7	**299.0**
Deferred Taxation	17.2	72.3	16.5	18.3	19.8	17.1	13.5	10.2	12.1	**16.6**
Net Non-Current Liabilities	–	–	–	–	–	–	–	–	1.7	**0.3**
Non-Controlling interests	1.2	1.8	2.7	3.9	7.8	10.5	19.0	7.0	8.4	**13.4**
	486.5	588.9	264.5	307.6	326.6	301.3	344.7	352.8	343.9	**329.3**
Property, Plant, Equipment and Intangible Assets (Net Book Value)	156.4	521.5	152.3	158.6	168.2	174.3	164.4	167.5	176.6	**181.2**
Investment in Associated Company	13.9	24.3	26.3	33.4	34.7	40.9	58.2	80.2	73.1	**64.3**
Net Current Assets	316.2	43.1	85.9	115.6	123.7	86.1	122.1	105.1	94.2	**83.8**
	486.5	588.9	264.5	307.6	326.6	301.3	344.7	352.8	343.9	**329.3**

FINANCIAL RATIO

	2008	2009	I---Restated --I 2010	2011	2012	2013	2014	2015	2016	2017
Pre-Tax Earnings per Share (RM)*	0.33	0.34	0.58	0.72	0.80	0.77	0.90	0.93	0.93	**0.96**
Post-Tax Earnings per Share (RM)*	0.25	0.25	0.44	0.55	0.63	0.61	0.71	0.72	0.69	**0.76**
Net Dividend per Ordinary Share (RM)	0.26	0.09	0.19	0.42	0.56	0.63	0.61	0.71	0.72	**0.77**
Net Assets Backing per Share (RM)*	1.53	1.68	0.80	0.93	0.98	0.90	1.02	1.10	1.05	**0.98**
Dividend Cover, No. of Times (Based on post-tax earnings)	0.96	2.67	2.29	1.32	1.13	0.97	1.16	1.01	0.96	**0.99**
Return on Shareholders' Fund (%)	16.3	14.9	54.7	58.7	64.8	68.2	69.5	65.6	65.5	**77.7**
Current Ratio	3.2	1.1	1.3	1.5	1.5	1.3	1.4	1.3	1.3	**1.3**
Bursa Securities Price at 31 December (RM)	3.60	4.54	6.32	8.54	12.52	12.18	11.74	11.70	13.92	**15.30**
Net Dividend Yield (%) ^	7.2	2.1	3.0	4.9	4.5	5.2	5.2	6.1	5.2	**5.0**

* Computed based on total number of shares net of Treasury shares. Treasury shares were cancelled on 17 May 2017.
^ Net dividend yield was computed based on dividend paid out during the year divided by the share price at year end.

FIVE YEAR DIVIDEND PAYMENT AS % OF PROFIT AFTER TAX

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Group Profit After Tax	186,620	216,921	220,238	210,665	**232,378**
Net Dividend Amount Declared and Proposed for the year	186,506	217,081	220,139	220,139	**266,001**
Net Dividend Payment as % of Profit After Tax	99.9%	100.1%	100.0%	104.5%	**114.5%**

High and Stable Dividend Yield

In line with our new dividend policy of a minimum 100% payout of the Group consolidated net profit, we are pleased to deliver to shareholders a total declared and proposed dividend of 87.0 sen per ordinary share, which is equivalent to a 114.5% payout of the Group's consolidated net profit of 2017.

We also intend to declare interim dividends on a quarterly basis, where the target payout is at least 75% of the Group's quarterly consolidated net profit, with the remaining dividend declared in the last quarter. A special dividend will be considered in the event of surplus cash after taking into account the future cash requirements of the Group.

DELIVER VALUE FOR SHAREHOLDERS

Growth in Net Profit **+7.9%**

High and Stable Dividend Yield **114.5%**

ZERO IRRESPONSIBLE DRINKING

ZERO WATER WASTE

ZERO CARBON FOOTPRINT

ZERO ACCIDENTS CULTURE

TOGETHER

TOWARDS ZERO

In 2017, we launched a new and ambitious sustainability programme – Together Towards ZERO.

Together Towards ZERO consists of four major ambitions: a ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accidents culture. The programme will help ensure that we reduce risks and strengthen our business.

DEFEND OUR LICENSE TO OPERATE

achieved in 2017 vs 2016

of net profit in 2017 vs 104.5% of net profit in 2016

BUSINESS RECOVERY IN LION BREWERY (CEYLON) PLC (LBCP)

Our associate company in Sri Lanka reported a share of loss of RM0.2 million in 2017 versus a share of loss of RM5.1 million in 2016. Better operational performance and higher sales contributed to the improved result despite an impairment loss on its Miller brands.

BUSINESS RISKS

We wish to highlight that there were no new developments on the two bills of demand amounting to RM56.3 million issued by the Selangor State Director of the Royal Malaysian Customs on 17 September 2014.

Breakdown of the mentioned bills is as follows:

(i) Excise duty amounting to RM35.7 million for the period 1 July 2011 to 14 January 2014;
(ii) Sales tax amounting to RM13.8 million and a penalty amounting to RM6.8 million for the period 1 July 2011 to 14 January 2014.

We do not admit any liability on the demands and have been in discussions with the authorities together with our legal counsel. No provision has been recognised for the year ended 31 December 2017.

There has been no new development on the proposed implementation of security ink marking on locally brewed products. The Confederation of Malaysian Brewers Berhad had a positive dialogue with Royal Malaysian Customs and hopes to close the matter amicably.

OUTLOOK AND PROSPECTS

Moving forward, we expect the macroeconomic environment and consumer sentiment to improve in Malaysia and remain stable in Singapore sentiment.

In Singapore, the introduction of the European Free Trade Agreement by mid-2018 will pose a further challenge from cheaper imports.

While we hope the increased efforts by Malaysian authorities to curb contraband beer will strengthen the legitimate tax-paying part of the beer market in the country.

The Group has enjoyed solid growth from its Carlsberg flagship brand as well as its premium brands and expects this momentum to carry on in 2018. Likewise, the Fund the Journey efficiency initiatives will progress in 2018 and together, will hopefully deliver another satisfactory business performance.

I am convinced that the continued strong execution of the key priorities in our SAIL'22 strategy will carry our good momentum into 2018.

With the support of our customers and consumers I am confident that we will experience yet another successful year.

Thank you.

Lars Lehmann
Managing Director

Shah Alam
12 March 2018

SUSTAINABILITY STATEMENT

BREWING WITH PURPOSE

At Carlsberg Brewery Malaysia Berhad (the Group), we take a lead in sustainability because it is central to our purpose. We sincerely believe that sustainability is the right thing to do in delivering tangible benefits for our business and for society as a whole.

The year 2017 marked the celebration of Carlsberg's 170th anniversary and in conjunction with that, Carlsberg Group launched a new sustainability programme, 'Together Towards ZERO', a science-based and partnership-driven sustainability approach that increases our efficiency, reduces risks and builds resilience in our value chain, while resonating with our key stakeholders in an increasingly sustainability-conscious world.

Scope

Our Sustainability Statement 2017 reiterates our commitment and reports our efforts in delivering sustainable performance across our value chain.

It covers key sustainability initiatives in our Malaysia and Singapore operations from 1 January to 31 December 2017.

The Group's 25% owned associate company, Lion Brewery (Ceylon) PLC, which we have no direct management control, is excluded from the report.

Our strategy will be presented along with details of our 'Together Towards ZERO' programme and our 2017 performance within the four key sustainability areas namely Carbon & Energy, Water, Responsible Drinking and Health & Safety.

Supplementary content will also be provided under the heading 'Responsible Business'.

All data disclosed here is extracted from the improved Enablon online sustainability reporting platform.

This Sustainability Statement is to be read in conjunction with the rest of Carlsberg Brewery Malaysia Berhad's 2017 Annual Report, which highlights other financial and non-financial aspects of our business.

Governance

The Group's sustainability performance is overseen by the Management team, led by Managing Director Lars Lehmann, and endorsed by the Board of Directors, and are aligned with the corporate strategy, SAIL'22.

We are guided by a governance framework that is based on a decentralisation of responsibility to functions that have the biggest impact, ability to influence the specific actions of the business and the responsibility to identify, assess and monitor sustainability-related risks within our operations in Malaysia and Singapore.

To support the implementation of 'Together Towards ZERO' programme and to ensure we adhere to our sustainable development policies, we have set aside a network of 'Together Towards ZERO'area and policy owners.

Each policy owner is responsible for following up on their respective specific Key Performance Indicators (KPIs) and targets and for implementing their areas to the expected standards.

Leveraging on the CSR Enablon, we are able to track our performance in all policy areas on a regular basis, including monthly, quarterly, half-yearly and annual periods.

PURPOSE & STRATEGY

Our founder J.C. Jacobsen was driven by an ambition to brew for a better today and tomorrow. Over 170 years later, we continue to pursue the same purpose.

Sustainability is embedded in our corporate strategy, SAIL'22, as part of our enablers to 'Create a Winning Culture' and 'Defend our License to Operate' in our Malaysia and Singapore operations.

It sets the fundamentals for us to work towards our ambition of becoming a successful, professional and attractive brewer in the markets we operate in. We are committed to contribute to a better society wherever our beers are brewed and sold.

BREWING FOR A **BETTER TODAY AND TOMORROW**

In 2017, we refined our sustainability priorities and refocused our long-term efforts and set our ambitions along with the 'Together Towards ZERO' programme: a ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accident culture across our business.

These goals also correspond with Bursa Malaysia Securities Berhad's (Bursa Malaysia) Economic, Environmental and Social (EES) pillars, the exchange's recommended sustainability framework.

AMBITIONS AND TARGETS **TOWARDS ZERO**

TOGETHER TOWARDS ZERO

Our new sustainability programme, 'Together Towards ZERO' was developed by Carlsberg Group in partnership with leading global experts using a science-based approach. It is a highly ambitious programme that is aligned with the United Nations' (UN) Sustainable Development Goals and the Paris Agreement on climate change.

The new programme consists of four major ambitions: ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accidents culture.

Each ambition is underpinned by individual and measurable targets for 2022 and 2030 respectively, as detailed in the corresponding sections of this report.

ZERO CARBON FOOTPRINT

We will eliminate carbon emissions by 2030, using 100% renewable electricity by 2022. Through the Carlsberg Circular Community, we are working with partners in our value chain to reduce beer-in-hand emissions by 30% by 2030.

ZERO WATER WASTE

We will cut water usage by half by 2030, effectively eliminating water waste during the brewing process. We will also engage with partners to improve water management.

We believe our programme will ensure that we reduce risks and strengthen our business, whilst contributing as a responsible and caring corporate citizen.

Fewer accidents make the Group a more attractive place to work and as a responsible brewer, we have always adopted a strong stance on responsible drinking.

Through the programme, we hope to create a virtuous cycle of improvements among suppliers and business partners throughout our value chain, thus contributing to a more sustainable future.

ZERO
IRRESPONSIBLE
DRINKING

We will offer distribution of alcohol-free brews by 2022 to expand consumer choice. We will also provide responsible drinking messaging as well as nutrition and ingredient information on our packaging and online, while forming partnerships to encourage responsible consumption.

ZERO
ACCIDENTS
CULTURE

We will continue to target a year-on-year reduction in our accident rate in order to achieve our 2030 target of ZERO lost-time accidents.

TOGETHER TOWARDS **THE SDGs WITH OUR PRIORITIES**

OUR COMMITMENTS

The UN's Sustainable Development Goals (SDGs) are a set of ambitions aimed at ending poverty, protecting the planet and fighting inequality.

It requires everyone to do their part – governments, private sector, civil society and everyone in the communities.

'Together Towards ZERO' programme is Carlsberg Group's commitment to playing its role as a caring and responsible global corporate citizen. It sets new benchmarks for the industry in its science-based and partnership-driven sustainability principles.

Under the four key areas, a total of seven measurable targets have been set for 2022 and 2030 respectively.

In support of the Carlsberg Group's commitment towards SDGs, Carlsberg Malaysia Group will focus our efforts on those that are most material to our business and where we can have the most positive impact.

The four key areas – ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accidents culture correlate with Bursa Malaysia's Economic, Environment and Social pillars, which in turn are most aligned to SDGs 3, 6, 7, 8 and 13, which call for the doubling of the global rate of energy efficiency by 2030, substantial increases in water-use efficiency, strengthening the prevention and treatment of harmful alcohol use, protecting labour rights and promoting safe and secure working environments for all workers.

Our 'Reuse, Reduce, Recycle and Rethink' (4R) initiatives help to address SDG 12, i.e. responsible consumption and production.

The bottle-cap icons featured throughout the statement reflect our progress in supporting the SDGs.

SUSTAINABLE DEVELOPMENT GOALS THAT CUT ACROSS OUR OPERATIONS

* **12.2** By 2030, achieve the sustainable management and efficient use of natural resources.
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

* **12.9** Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships.
17.17 Encourage and promote effective public, public-private and civil society partnerships.

MOST MATERIAL SDGs AND TARGETS

6.4 By 2030, substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity.

* **6.5** By 2030, implement integrated water resources management at all levels.

* **7.2** By 2030, increase substantially the share of renewable energy in the global energy mix.
7.3 By 2030, double the global rate of improvement in energy efficiency.

* **13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.
* **13.3** Improve education, awareness-raising and capacity on climate change mitigation, adaptation, impact reduction and early warning.

3.5 Strengthen the prevention and treatment of substance abuse, including harmful use of alcohol.

* **3.6** By 2020, halve the number of global deaths and injuries from road traffic accidents.

8.8 Protect labour rights and promote safe and secure working environments for all workers.

ZERO WATER WASTE

ZERO CARBON FOOTPRINT

ZERO IRRESPONSIBLE DRINKING

ZERO ACCIDENTS CULTURE

TOGETHER TOWARDS ZERO

* New target.

CREATE A WINNING CULTURE

DEFEND OUR LICENSE TO OPERATE

BREWING ECONOMIC GROWTH

OUR SUSTAINABLE ECONOMIC CONTRIBUTION

Backed by a track record of over four decades of operating in Malaysia and three decades in Singapore, the Group has established itself as a responsible brewer while playing an integral part in supporting the local F&B industry.

In our quest to become a successful, professional and attractive brewer, it is our priority to promote sustainable economic growth.

In our Malaysia operations, we have a brewery in Shah Alam, Selangor and 17 sales offices throughout Peninsula and East Malaysia.

Through our operations, we continue to create value and bring vitality to advertising, event and media agencies as well as generate high-value and high-impact commercial activities throughout our value chain, from research and development to packaging, logistics, sales and marketing.

In our Singapore operations, we have a trading office located in Zhongshan Park, which also owns 51% equity in a local importer MayBev Pte. Ltd. (MayBev), which is responsible for the distribution of Japanese premium alcohol brands.

With a dynamic portfolio of beer, stout and cider catering for both domestic consumption and export to regional markets like Singapore, Thailand, Taiwan, Hong Kong and Laos, the Group makes a significant economic contribution by creating jobs, supporting economic growth and generating considerable government revenues via excise duties and other related taxes.

Malaysia's excise duty for beer is currently the third-highest in the world at RM175 per litre of alcohol by volume (ABV) 100%.

Singapore has the second-highest excise duty for beer in the world at RM260 (or equivalent to SGD88) per litre of alcohol and RM177, or equivalent to SGD60.00, per litre of alcohol for stout and cider.

Our economic contribution is also in support of SDG 8: providing decent work and economic growth in the markets that we operate in. Through our operations in Malaysia and Singapore, we contribute to targets 8.1 and 8.2 by supporting economic prosperity, higher productivity and innovation.

1,980
people employed

Direct: 538 employees in Malaysia and 69 staff in Singapore; Indirect: 1,113 sales promoters in Malaysia and 260 beer promoters in Singapore

RM832 million
in **excise duties**

was paid on our products brewed and sold in both Malaysia and Singapore.

RM69 million
in **direct taxes**

was borne covering corporate taxes of RM55 million in Malaysia and RM14 million in Singapore.

RM58 million
in **indirect taxes**

was borne covering Goods & Services Tax (GST) collected on behalf of the Malaysian government and Singapore government.

RM26.6 million
for **community welfare and development**

from funds raised directly and indirectly via our charitable projects and donations in-cash made by the J.C. Jacobsen Foundation to Malaysian communities.

RM 639,400
on **human capital development**

was spent on training activities for our employees in Malaysia and Singapore operations.

ZERO CARBON FOOTPRINT

BREWING A GREENER ENVIRONMENT

To address climate change, which is unquestionably one of the most pressing issues of our time, a transition to a low-carbon economy is essential. And as stated in the Paris Agreement on climate change, business has a key and critical role to play.

Our Ambition

Our ambition of a ZERO carbon footprint is aligned with the Paris Agreement's more ambitious goal of limiting global warming to 1.5°C.

Our Targets

In collaboration with climate experts in the Carbon Trust, an independent not-for-profit organisation, the Carlsberg Group has developed a baseline carbon footprint and a set of science-based carbon-reduction targets.

Our aim is to achieve ZERO carbon emissions at all of Carlsberg Group's breweries by 2030, which is a huge challenge that can only be achieved with highly focused actions and innovation.

In addition, the Carlsberg Group has set a target that extends beyond our own brewery to include the full value chain. We call this "beer-in-hand", and aim to reduce emissions by 30% by 2030.

To build momentum on the road towards ZERO carbon emissions, the Carlsberg Group have set intermediate targets for 2022, including a 50% emission reduction and a switch to 100% renewable electricity and the elimination of coal as an energy source at its breweries.

By 2022, we also aim to reduce our beer-in-hand carbon footprint by 15%, to have 100% low-impact cooling and to establish 30 partnerships with suppliers – all leading to a reduction of our shared carbon footprint.

In support of Carlsberg Group's target, our Malaysia operations are committed to achieving ZERO carbon emissions at our brewery in Shah Alam, Selangor by 2030. And working towards the targets, our Malaysia operations is set to implement:

- New methods of beer stablisation to reduce electricity consumption;
- Tunnel pasteurizer energy audit and insulation improvements; and
- Thermal infrared audit and insulation improvement for all insulated outdoor tanks to reduce electricity consumption.

Supporting The Global Goals

Our ZERO carbon footprint targets contribute to SDG 7: Affordable and clean energy. By increasing the share of renewable energy and improving the rate of energy efficiency, we specifically address targets 7.2 and 7.3.

We also contribute to SDG 12.9 by conducting research to improve every element of our production process and by installing up-to-date technology at our brewery.

By setting a tough, science-based target, we support SDG 13: Climate action, and particularly target 13.1, which is to strengthen resilience to climate change.

We are also committed to acting as agents of change, responding to SDG 13.3 to improve education, awareness and capacity on climate change mitigation and adaptation. To amplify impact, we will cooperate with stakeholders in our value chain and other related industries.

ZERO CARBON FOOTPRINT

2030 TARGETS

ZERO CARBON EMISSIONS AT OUR BREWERIES

30% REDUCTION IN BEER-IN-HAND CARBON FOOTPRINT

2022 TARGETS

50% REDUCTION IN CARBON EMISSIONS AT OUR BREWERIES

100% ELECTRICITY FROM RENEWABLE SOURCES AT OUR BREWERIES

ZERO COAL AT OUR BREWERIES

15% REDUCTION IN BEER-IN-HAND CARBON FOOTPRINT

100% LOW-CLIMATE-IMPACT COOLING

30 PARTNERSHIPS TO REDUCE SHARED CARBON FOOTPRINT

ELIMINATING EMISSIONS AT OUR BREWERY

Our Approach Towards Zero

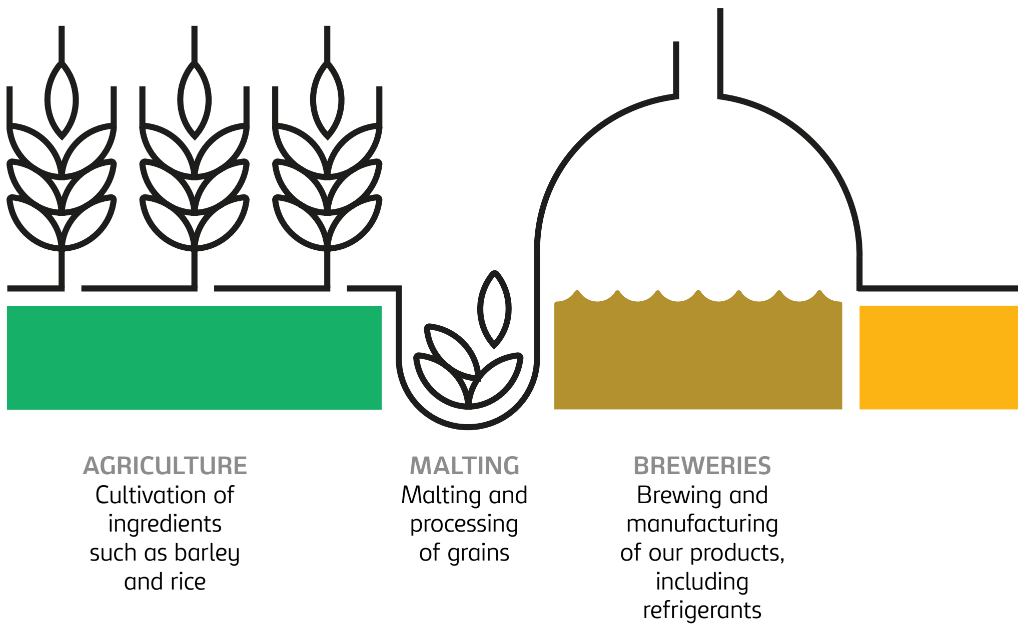
We updated our Environmental Policy in 2017, which sets the standards and provides guidelines on reducing our carbon footprint for our operations in Malaysia.

The policy and responsibility of the ZERO Carbon footprint lies with the Management team, while our Supply Chain Director and senior management team hold specific implementation responsibilities for our improvement roadmap.

It has been a long-term focus for us to reduce the impact of brewing at our Malaysian brewery, which is ISO-certified according to 14001:2004 benchmarks.

We continue to innovate and find new ways to reduce energy use, packaging efficiency and carbon emissions.

In 2017, our brewery's heat energy consumption improved to 19.40 kwh/hl compared with 20.30 kwh/hl in the previous year. During the year, we upgraded the temperature control system and improved oxygen control in boilers, as well as increased share of biogas usage from 11% to 17% as part of the improvement of waste water treatment plant operation.



To reduce electricity use, we took on several initiatives, including:

- Gradually raising ice water temperature from 2°C to 6°C;
- Optimizing the glycol pump operation pressure;
- Automating the opening and closing of air supply to packaging lines during non-production hours to further minimise losses;
- Optimizing air pressure used in spent grain discharge; and
- Continued audit and rectification of air leakages.

As a result, our electricity use was reduced to 9.38 kwh/hl in 2017 from 9.46 kwh/hl in 2016.

The date 25 March 2017 marked the 10th consecutive year our Malaysia operations participated in the Earth Hour 2017 campaign by switching off non-essential lights at our brewery and warehouse in Shah Alam as well as sales offices nationwide for one hour, as a reminder to all of us on the essentials of electricity.

Reduce, Reuse, Recycle and Rethink (4Rs)

We continued our 4Rs programme in 2017 by encouraging the return of all used bottles, kegs and crates from market to brewery via an incentive scheme. These used bottles are then recycled into new ones.

In 2017, 90% of our total returnable glass bottles were recycled and refilled, reducing the need for new bottles and resources.

ZERO WATER WASTE

NO WATER, NO BEER.

As a responsible brewer, our business is highly dependent on the availability of clean water: No water, no beer!

But clean water supply is becoming a scarcity and so we must treat water with the utmost respect.

Our Ambition

Our vision for a better tomorrow is a world in a world with ZERO water wasted.

Our Targets

The Carlsberg Group's targets for ZERO water waste include reducing water use at breweries and the formation of partnerships to safeguard shared water resources in high-risk areas.

Our top-line target is to halve water usage at our breweries by 2030, with an intermediate target of 25% by 2022. Since water usage of the Carlsberg Group for the baseline year (2015) was 3.4 hl/hl, this means the aim is to achieve 1.7 hl/hl by 2030: an industry-leading position.

Unaware by many, the brewing process requires a greater volume of water than the volume of beer produced. This is partly due to evaporation and wet by-products and partly because water is needed to clean equipment.

Water will always be essential, but by cutting usage in half we will make sure that none is wasted.

In addition, the Carlsberg Group can also help safeguard shared water resources in the areas around its breweries globally. This means participating in community water partnerships that secure long-term water availability.

Working towards these targets, our Malaysian operations is set to implement:

- Technical audits of the tunnel pasteurizers to improve insulation and heat losses;
- Audit on the bottlewashers heat exchangers to improve efficiency;

- Improve water extraction from tube well to reduce our dependency on water supply from the local town council, especially during water rationalizing period;
- Implementation of best practices stated in the Carlsberg Operating Manual; and
- Enhancing KPI tracking, resulting in mindset change.

SUPPORTING THE GLOBAL GOALS

Water scarcity is a major global concern and responsible water stewardship is one of the most material issues for our business. As a global brewer with operations in high-risk areas, the Carlsberg Group has a responsibility to ensure both the success of our business and the well-being of the communities around our breweries.

Our targets for ZERO water waste relates to SDG 6: Clean water and sanitation.

We address targets 6.4 and 6.5 – increasing water use efficiency and implementing integrated water resources management – through our water use reduction programme and community engagement plans.

ZERO WATER WASTE

2030 TARGETS

50% REDUCTION IN WATER USAGE AT OUR BREWERIES

PARTNER TO SAFEGUARD SHARED WATER RESOURCES IN HIGH-RISK AREAS

2022 TARGETS

25% REDUCTION IN WATER USAGE AT OUR BREWERIES

EXPLORE GOING BELOW 2.0 HL/HL AT ALL HIGH-RISK BREWERIES

CUTTING OUR WATER WASTE

Our Approach Towards Zero

Our updated Environmental Policy and accompanying operational manual provides guidance on water management.

Water stewardship is the primary responsibility of the Management team, particularly the Supply Chain Director and senior management when it comes to managing permits for water extraction and discharge.

Together, we will work to implement and refine our ZERO water waste roadmap that includes the continued roll-out of existing wastewater recycling technologies and the search for new technologies, since the most waste occurs while cleaning our equipment during the brewing process.

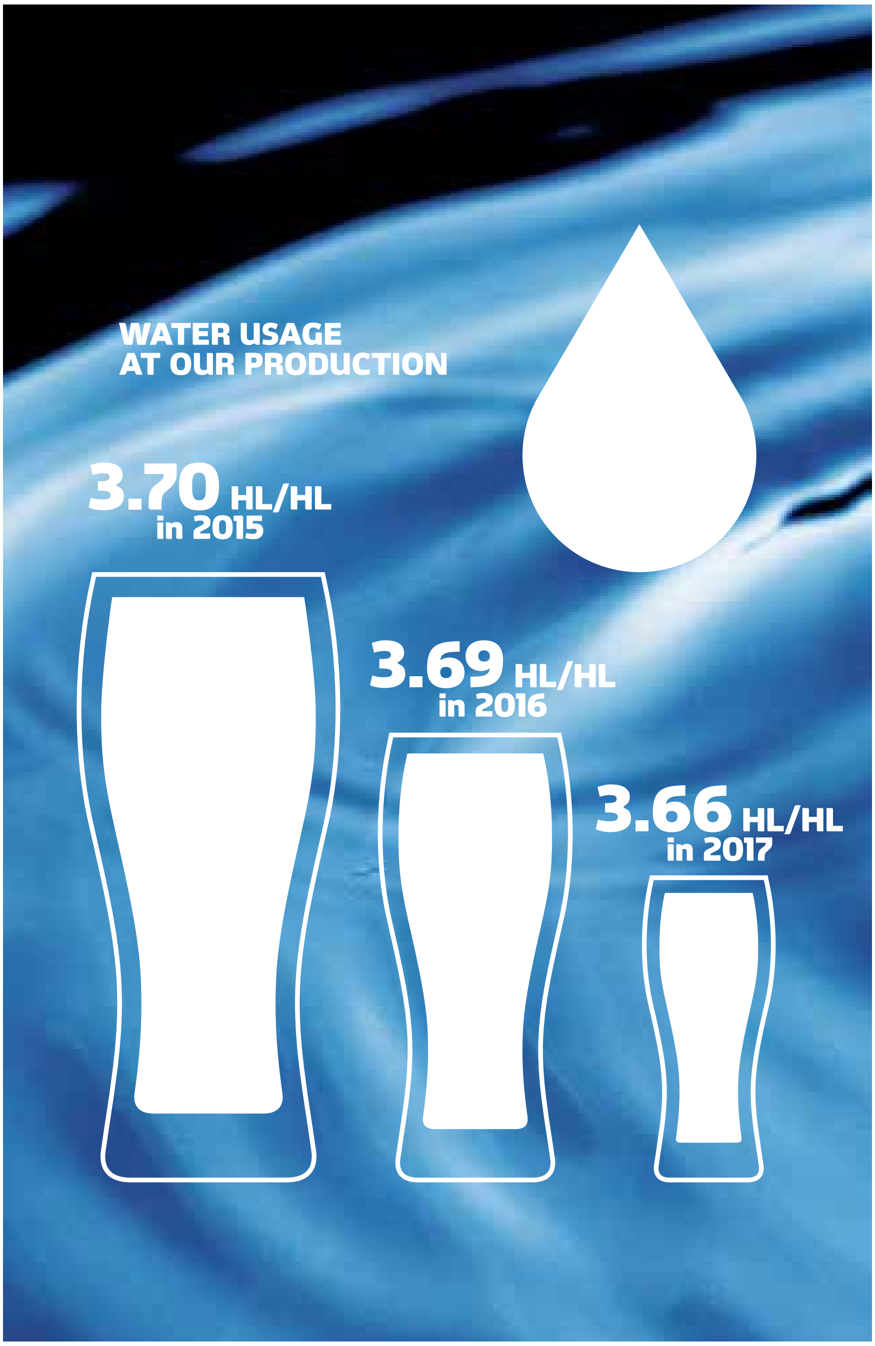
Water Efficiency and Waste Water

The key to further improving performance in this area lies in driving concerted efficiency by everyone in the organisation.

In 2017, our water efficiency improved by 11.07% to 3.66 hl/hl from 3.69 hl/hl in 2016.

Some of the key initiatives implemented included refurbishment of the filtration system with nozzles and filter media replacement; optimised backwash frequency with increased in backwash cycle time; optimised RO system with increased in recovery to maximum possible which in turn reduced the discharge to waste; and recycling some small portion of backwash discharge water and reusing for second backwashing cycle before being discharged to drain.

As a result, our water treatment losses were reduced to 26% of total water intake in 2017 versus 34% a year earlier.



ZERO IRRESPONSIBLE DRINKING

CELEBRATE RESPONSIBLY

Our portfolio of beers, stouts and cider are often at the heart of social occasions.

While celebrations are a part of a lifestyle, responsible drinking is a goal we have always taken seriously.

Our Ambition

In most situations, people enjoy our products in moderation and as part of a balanced lifestyle, which is the way they are intended to be.

Nevertheless, in some cases our beers are not consumed responsibly and caused harm to individuals and to society, which is not acceptable and the reason why we have set an ambition of a society with ZERO irresponsible drinking.

Whilst challenging, we believe that by working together across business, government and civil society we can start moving society in the right direction, ultimately making a huge difference.

Our Targets

Our targets in this area reflect where we think the best opportunities lie for us to make an effective impact.

Beers provide a quality low-alcohol choice in many different situations.

Yet we also recognise that on certain occasions, consumers look for options that do not contain alcohol. Today, the Carlsberg Group offers many quality alcohol-free brews that serve as great alternatives for people who are driving, pregnant or, for other reasons, do not wish to consume alcohol.

To provide consumers more choice during these occasions, we target to distribute alcohol-free brews by 2022 – meaning that wherever our beers containing alcohol are found, there will always be an alcohol-free option as well.

To further help consumers make smart choices, we are placing responsible drinking messages and nutritional information about our products on 100% of our packaging and/or online.

We are also embedding responsible drinking messages in all our marketing communications in an effort to further engage consumers and convey the importance and benefits of a healthy beer culture.

In cases where we witness irresponsible drinking behaviour, we will collaborate with relevant stakeholders to make targeted interventions.

Our goal is for every market within the Carlsberg Group to have established at least one key responsible drinking partnership by 2022.

Working towards these targets, our Malaysian operations is set to implement:

- Improve disclosure of the natural ingredients of our products in our corporate website;
- Deploy #CelebrateResponsibly campaign during consumer-facing events to raise awareness of responsible consumption;
- Collaborate with e-hailing service provider to offer alternative rides to discourage consumers from drink-driving when one's breath alcohol content exceeds the national legal limits; and

- Implement the health warning signage labelling on the primary and secondary packing of our products in Malaysia.

Supporting The Global Goals

With efforts to minimise alcohol misuse, we are supporting SDG 3, specifically target 3.5 to strengthen the prevention of harmful use of alcohol and target 3.6 to halve the number of deaths and injuries from road traffic accidents, which are relating to driving under the influence of alcohol.

ZERO IRRESPONSIBLE DRINKING

2030 TARGETS

100% OF OUR MARKETS IMPROVE ON RESPONSIBLE DRINKING YEAR ON YEAR

2022 TARGETS

AVAILABILITY OF ALCOHOL-FREE BREWS (AFB)

100% RESPONSIBLE DRINKING MESSAGING THROUGH PACKAGING AND BRAND ACTIVATIONS

100% OF OUR MARKETS RUN PARTNERSHIPS TO SUP-PORT RESPONSIBLE CON-SUMPTION

ENCOURAGING RESPONSIBLE CONSUMPTION

OUR APPROACH TOWARDS ZERO

We updated our Marketing Communication Policy (MCP) in 2017, which sets the framework for responsible communication across our business, including marketing, digital and social media channels and product packaging.

Our MCP sets benchmarks on limiting access to and appeal of alcohol marketing to minors, including strict standards on location placement of advertisements and choice of themes to avoid appealing to young people.

In 2017, a new Group Responsible Drinking Policy was introduced to set global standards on drinking in the workplace.

The Carlsberg Group sought advice from a group of health and behavioral experts from fields as diverse as biology, sociology, anthropology and psychology to help strengthen the design and effectiveness of our responsible drinking initiatives.

With input and insights from the experts, we hope to ensure our responsible drinking efforts are directed towards the right national goals and improve the effectiveness of different actions in this area.

Our approach consists of three ways in which we can support consumers and society in reducing the harmful use of alcohol:

ENABLE

To make it easier for consumers to make smart, informed decisions, the Carlsberg Group is steadily growing its portfolio of alcohol-free brews. By 2022, we will make these products available on relevant consumption occasion.

INFORM

To help consumers make responsible drinking decisions, the Carlsberg Group aims to include responsible drinking symbols, as well as nutritional and ingredient information, on all consumer-facing packaging and on its online platforms as well.

ENCOURAGE

The Carlsberg Group seeks to engage consumers in the responsible drinking debate in the most effective way possible: through our brands.

Health Warning Labelling On Products

Effective 1 December 2017, the legal purchasing age of alcohol in Malaysia has been raised to 21 from 18 as per the amendment to Food Regulations 1985 by the Ministry of Health. It is mandated that all primary and secondary packaging of alcohol products must carry the health warning message 'Meminum arak boleh membahayakan kesihatan' (Excessive alcohol consumption is harmful).

In compliance with the new regulations, we have incorporated the health warning message on the design of all our product packaging.

Preventing Drink-Driving

We acknowledge that preventing drink driving requires a multi-stakeholder approach.

At Carlsberg Group's level, we partner with businesses, governmental authorities and other organisations, pooling our ideas and resources to find new, smarter solutions to these problems.

One of the most effective ways of preventing drink driving is to engage consumers at the point of consumption. To do so, we collaborate with business partners, including bar and restaurant owners, who are in direct contact with consumers to raise awareness on drink driving.

#CelebrateResponsibly

In 2017, for the third consecutive year, our Malaysia operations activated the "don't drink and drive" campaign named #CelebrateResponsibly, in conjunction with the annual 'Global Beer Responsible Day'.

The aim of the campaign was to increase awareness on responsible consumption of alcohol by advocating "Don't Drink and Drive", especially when one's Blood/Breath Alcohol Content (BAC) exceeds the legal limit of 0.08% in Malaysia.

The campaign was held during the Oktoberfest consumer parties in Klang Valley and Penang in October, where we advocated ZERO Irresponsible Drinking by focusing on no drink-driving.

Our employees acted as ambassadors to disseminate information on responsible drinking as well as encouraging consumers to experience the brand-new driving simulation game using Kinect technology to tap younger beer consumers who are more receptive towards responsible drinking messages when it's on a digital platform.

We also tested consumers' breath alcohol content with breathalysers. They were also provided with e-hailing discounted rides.

Throughout October, we collaborated with modern bars and pubs across Klang Valley, Penang, Johor and Melaka to raise awareness on the #CelebrateResponsibly campaign.

15,000

consumers reached via social media and on-ground activations

310

Mobile breathalysers given to consumers

298

Consumers signed up as #CelebrateResponsibly ambassadors

31

Employees participating as #CelebrateResponsibly ambassadors

20

Bars and pubs involved in the #CelebrateResponsibly campaign

ZERO ACCIDENTS CULTURE

TOWARDS A ZERO ACCIDENTS CULTURE

The safety and welfare of our employees is of utmost importance to us.

By pre-empting the potential risks of our operations, we provide a safe working environment for our workforce.

Essential to a safe working environment is a ZERO accidents culture. This mentality is fundamental to the way we run our business. Ultimately, we believe that all accidents are preventable.

Our Ambition

A ZERO accidents culture is fundamental to the way we run our business as ultimately, we believe that all accidents are preventable.

Our Targets

We aim to reduce the number of accidents year-on-year, with the aspiration to reach ZERO lost-time accidents by 2030.

Working towards these targets, some of the key health & safety (H&S) initiatives our Malaysian operations undertook in 2017 were:

- Formalised a new approach to safety leadership training;
- Internal business reviews and in-house events now begin with H&S briefing;
- Implemented the action plans focusing on traffic risk and Lock Out Tag Out (LOTO); and
- Developed new standards for the visual communication of H&S

Supporting The Global Goals

The ZERO accident culture is in line with SDG 8: Decent work and economic growth.

In particular, we focus on target 8.8 – promoting a safe and secure working environment for all workers.

ZERO ACCIDENTS CULTURE

2030 TARGETS

ZERO LOST-TIME ACCIDENTS

2022 TARGETS

REDUCTION IN ACCIDENT RATE YEAR ON YEAR

WORKING TOWARDS A SAFER WORKPLACE

OUR APPROACH TOWARDS ZERO

Our Health and Safety (H&S) Policy defines how health and safety performance is managed across the business to prevent occupational injuries, illnesses and industrial accidents while also protecting people in the communities where we operate.

We regularly engage with external partners and contractors to raise health and safety awareness issues in our value chain.

A ZERO accidents culture requires strong and credible leadership.

Managers at all levels are expected to lead by example and to motivate their staff to participate in H&S initiatives.

While managers are responsible and accountable for managing workplace health and safety, all employees are expected to take personal responsibility and to engage in H&S activities while also looking out for their fellow colleagues.

We have systems in place for employees to log any observations, suggestions and near-misses to prevent potential accidents and mishaps.

H&S Compliance

To ensure H&S compliance, our Malaysian operations ran several monitoring and compliance surveys in 2017.

A Chemical Health Risk Assessment was completed in the first quarter of the year by a DOSH (Department of Occupational Safety & Health Malaysia) by approved consultant, as required by OSHA USECHH 2000 Regulation.

As a follow-up action, a Medical Health Surveillance was conducted, where 11 supply chain employees were examined and found to be in compliance.

While employees working in the noise zone are provided with hearing protection, we wanted to ensure that their hearing remains intact. A total of 106 Supply Chain employees underwent audiometric testing, of which six employees were found to have hearing impairment and were sent for further checks by an Occupational Health Doctor.

Other assessments conducted during the year include chemical exposure monitoring and local exhaust monitoring, both of which complied with provided guidelines.

In line with legal requirements by our local fire authority, we upgraded our Fire Fighting Computerised Monitoring System (CMS) panel with iScada, a web-based Bomba Operating Safety System.

Together with the Fire Department and Ambulance services, we also conducted a fire drill at our production plant in Shah Alam, to ensure all employees are aware of the evacuation steps, as well as basic first-aid treatment.

At our brewery in Shah Alam, we are committed to ensuring the safety and health risks are observed.

These include constructing dedicated walkways for pedestrian and vehicle separation measures in our logistics area, signage for forklift forward height limit as a guide for reverse driving, roll-up messages and safety banners to increase H&S visibility, bi-monthly safety topic to highlight potential brewery risks such as slip, trip and fall, hand safety, manual handling, chemical safety, fire safety and traffic.

An external assessment was also carried out on OHSAS 18001:2007 surveillance audit, in which the brewery attained full compliance.

In 2017, we have a total of 516 near miss incidents reported, which was 21% higher than 2016. The higher engagement from employees continued to help putting proactive measures in place to mitigate risks observed in our day-to-day activities.

LOST-TIME ACCIDENT RATE (LTAR)

2016 PERFORMANCE
3.3

2017 PERFORMANCE
3.9

Performance data refers only to direct employees.

COMMITTING TOWARDS **A RESPONSIBLE BUSINESS**

LABOUR & HUMAN RIGHTS

Carlsberg Malaysia Group is committed to ensure that its business is conducted in a fair and responsible manner, in line with global standards and guidelines.

We believe that we must provide a safe and healthy working environment for our employees to achieve their full potential.

In 2017, our Labour & Human Rights (LHR) Policy was revised as part of a Group-wide policy refresh.

The policy, which applies to all management, employees and contract workers, is in line with our commitment to high standards that deliver a fair, respectable and safe workplace for all employees.

Building a High-Performing Culture

At Carlsberg Malaysia, we grow our people within the Triple A framework Alignment, Accountability and Action which defines the way we work together to create a winning culture across the organisation. In 2017, Triple A became the framework for all our people initiatives.

In line with creating a winning culture, we strive to build a high-performing team in Carlsberg Malaysia.

In doing so, we focused on reinforcing the key fundamentals, including creating clarity of targets. Employees were kept informed of the Company, departmental and team targets via departmental Lean Boards to create visibility of key outputs and deliverables that were tracked regularly.

Through timely and close follow-up of consequence management, we were able to reward and recognise high performers whilst managing poor performers with swift corrective actions.

Recognition and Engagement

We started the year with a National Conference, where all employees were briefed on the strategic priorities for the year ahead and on respective key functional actions to support our 2017 priorities.

We also held monthly SAIL '22 Hour sessions, where employees received timely updates on the Company's strategic priorities and kept abreast of organisation-wide activities. Employees who demonstrated strong Triple A behaviour were recognised via our SAIL Awards, which comprised of monetary rewards and a certificate of appreciation.

These awards were presented on a monthly basis during the SAIL '22 Hour sessions. A total of 29 individual and team awards were given out in 2017.

We continued to drive employee recognition and engagement initiatives for our employees. In 2017, 7 employees reached their tenth year of service and were rewarded with an all-expenses paid trip to Copenhagen, Denmark with their spouses.

This trip coincided with the 170th anniversary celebrations for Carlsberg in Copenhagen and our long-serving employees experienced a memorable money-can't-buy experience, enjoying the festivities at the birthplace of Carlsberg.

To show our appreciation to employees, we organised events such as an Annual Dinner for all employees and appreciation dinners for our Sales Promoters. Our Sports and Recreation Club continued to drive activities to foster employee engagement throughout the year including Movie Nites, Ice Cream Day and weekly and monthly sports activities.

Learning and Development

We continued to develop our employees and build capability via the robust 70/20/10 learning approach with an emphasis on experiential learning as well as coaching and training interventions.

Employee development is also supported at the Group, regional and local levels, where learning offerings and initiatives are devised to cover leadership and functional competencies.

In 2017, our Malaysian operations conducted a total of 7,242 hours of training, of which 2,770 hours were for

Production employees, 718 hours for Logistics employees, 2,765 hours Sales & Marketing employees and 989 hours Corporate function employees.

For the year under review, the Group invested approximately RM639,000 in training and development for 538 employees in Malaysia and 69 employees in Singapore.

One of our key priorities is to create career and growth opportunities for our employees. In 2017, more than 40% of new roles and job vacancies were filled by internal staff via promotions or re-designations.

We continued to drive succession planning in the organisation to ensure that we maintain a strong bench strength.

We also successfully hired three management trainees who will go through a 2-year comprehensive programme as part of efforts to build our young talent pipeline.

LIVE BY OUR COMPASS

Ethics and integrity in all our people is an integral element to achieving sustainability.

Our business is built on solid values including honesty and integrity, which translates into a company culture of fair and ethical behaviour at all levels.

The Live by Our Compass programme continuously promotes high ethical standards across the Group and is supported by clear codes, policies and manuals. It offers detailed guidance on ethical behaviour and emphasises the importance of integrity at all levels of the business.

The Code of Ethics and Conduct helps employees to respond appropriately when faced with ethical dilemmas at work.

In 2017, 90% of our employees received training in the Code either via e-learning or face-to-face sessions. At the end of the sessions, each employee signed a declaration to commit to comply with the Code.

Our Compliance team is responsible for the implementation and updating of the Code, while the Managing Director is responsible for compliance at market level.

In January 2017, we also introduced a “Speak Up” telephone line as a whistleblowing platform for employees who prefer to remain anonymous.

We also developed a new policy structure to ensure relevance and focus on the key areas of our business today, resulting in 29 Group policies.

These policies provide our staff centralised direction, mitigates key company risks and underlines the behaviour we expect of all our people.

The revised policies were communicated through internal channels while the implementation of the new policies is ongoing.

MOVING FORWARD

Our sustainability journey may now be 170 years young but in our view, it is a never-ending quest for constant improvement.

As a responsible brewer, Carlsberg Malaysia Group remains committed to achieving Economic performance whilst contributing towards Environment and Social (EES) priorities.

We are confident that with the new ‘Together Towards ZERO’ programme, we will make a greater impact on the EES fronts, making sustainability central in everything that we do.

The Carlsberg Malaysia Group always strives to live out our purpose of ‘brewing for a better today and tomorrow’ by delivering sustainable value to all of our stakeholders, all of the time.

MANAGEMENT **TEAM**

from left to right:

Lew Yoong Fah, Piotr Zajac, Charles Wong Guang Tzong, Lim Chee Keat, Felicia Teh Sook Ching, Lars Lehmann, Gary Tan Sim Huan, Pearl Lai Ming Choo and Olivier Dubost

PROFILE OF MANAGEMENT TEAM

	Lars Lehmann Managing Director	**Lim Chee Keat** Chief Financial Officer	**Gary Tan Sim Huan** Sales Director	**Charles Wong Guang Tzong** Marketing Director
Nationality / Gender / Age	Danish, Male, age 51	Malaysian, Male, age 46	Malaysian, Male, age 47	Malaysian, Male, age 48
Date of Appointment	1 July 2016	12 February 2018	17 August 2009	16 January 2017
Academic / professional qualification(s)	Master of Science, International Marketing and Bachelor of Business Administration, Copenhagen Business School	Member of the Malaysian Institute of Certified Public Accountants (MICPA) Member of the Malaysian Institute of Accountants (MIA) University of Malaya, Bachelor of Accounting, (Honours)	BA (Hons) Economics, University of Malaya	Bachelor of Business, International Trade, Banking & Finance, Monash University Australia
Work Experience	Mr. Lehmann has overall responsibility for the Carlsberg Malaysia Group covering our operations in Malaysia and Singapore and oversees Carlsberg's investment in Sri Lanka. Having joined the Carlsberg Group since 2003, Mr. Lehmann has held various senior commercial and general management positions in Western and Eastern Europe as well as Carlsberg's License, Export and Duty Free company.	Mr. Lim is responsible for the finance, investor relations, legal and company secretarial as well as IT functions. Prior to joining the Company, he was the Director and CFO of a telecommunications company based in Jakarta.	Mr. Tan oversees the sales and distribution functions of the duty-paid business within the Malaysia operations. Prior to joining the Company, he was the Customer Development Director of Unilever Malaysia. He has had over 20 years of experience in the Fast-Moving Consumer Goods (FMCG) business.	Mr. Wong is responsible for the brand and channel marketing, market research, market intelligence and business development functions. He brings with him over 20 years of experience in the Fast-Moving Consumer Goods (FMCG) business. He was the General Manager for Red Bull Malaysia prior to joining the Company.

Piotr Zajac Supply Chain Director	**Felicia Teh Sook Ching** Human Resources Director	**Pearl Lai Ming Choo** Corporate Communications and CSR Director	**Lew Yoong Fah** Government Affairs and Duty Free Director	**Olivier Dubost** General Manager of Carlsberg Singapore Pte. Ltd.
Polish, Male, age 44	Malaysian, Female, age 40	Malaysian, Female, age 37	Malaysian, Male, age 49	French, Male, age 44
1 February 2017	19 November 2012	1 July 2014	6 February 2017	6 February 2018
MBA, Institute of Economics in Polish Academy of Science Master of Science, Engineering Technology of Food, Academy of Agriculture Krakow, Poland	MBA, University of Nottingham B Comm (Hons), University of Western Australia	Bachelor of Social Science (Hons) Communication Studies, University Malaysia Sarawak	MBA, University of Malaya Fellowship of Association of Chartered Certified Accountants (ACCA) Member of Malaysian Institute of Accountants (MIA)	MBA, ESCP, Management Business School of Paris
Mr. Zajac is responsible for production, logistics and procurement for both the Malaysia and Singapore operations as well as production for the export markets. Having joined the Carlsberg Group in 1997, he has held various positions on the supply chain, commercial and marketing fronts. His last position, prior to joining the Company, was as Brewery & Investment Director, Carlsberg Poland.	Ms. Teh is responsible for HR operations, talent management and organisation development for the Malaysia operations. She also oversees the human resources function of the Singapore operations. On 3 September 2014, her role was expanded to Regional Human Resources Director for Laos, Thailand and Myanmar.	Having joined the Company on 1 September 2005, Ms. Lai is responsible for external affairs, internal communications and sustainability. She also oversees the marketing activation portfolio and the brewery tour operations in Shah Alam, Malaysia.	Having joined the company on 5 January 2010 as Chief Financial Officer, Mr. Lew has been re-designated to manage all matters relating to government affairs, duty-free and export activities as well as security for the Malaysia operations. He also represents the Company on the committee of the Confederation of Malaysian Brewers Berhad (CMBB).	Mr. Dubost is responsible for the business, people and sustainability development functions of the Singapore operations. He also represents the Company to handle matters pertaining to government affairs. Having joined the Carlsberg Group in 2011, Mr. Dubost held the position of Vice President of Marketing at Brasseries Kronenbourg in France from 2011 to April 2016, a company owned by the Group. He was most recently Vice President Commercial of Carlsberg Asia (based in Hong Kong) since May 2016.

Notes:
None of the management team have any family relationship with any director/substantial shareholder of the Group and the Company, nor any conflict of interest with the company. None of the management team have any interest in the securities of the listed issuer or its subsidiaries or hold any directorship in public companies and listed issuers. None of them have had any convictions for any offences, other than traffic offences, within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF THE DIRECTORS

Dato' Lim Say Chong
J.S.M., D.M.P.N.
Independent Non-Executive Chairman
Member of Audit & Risk Management Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee

Nationality, Age, Gender
Malaysian, 77, Male

Date of Appointment
21 May 2003

Length of service (as of 12 March 2018)
14 years 9 months

Date of last Re-election
Re-appointment
20 April 2017

Academic / Professional Qualifications
MBA, University of British Columbia, Canada

BA (Hons) Economics, University of Malaya

Advanced Management Programme, Harvard Business School, Boston

Work Experience and Present Directorship(s)
Dato' Lim worked with the Imperial Chemical Industries (ICI) PLC's Group of Companies in Malaysia and abroad for 30 years, during which time he sat on the Board of several companies within the Group. He served as the Managing Director of the ICI (Malaysia) Group for five years and was also the Group Managing Director of Chemical Company of Malaysia Berhad from 1989 to 2004. He served in various associations, including as President of the Malaysian International Chamber of Commerce & Industry and was a Member of the National Human Resource Development Council, the Board of Directors of the Malaysian Industrial Development Authority, and the Board of Trustees of the Aged European Fund. He also served as a Council Member of the Federation of Malaysian Manufacturers and was on the Board of the ASEAN Chamber of Commerce & Industry. Dato' Lim is a Trustee of the Ti-Ratana Welfare Society.

Lars Lehmann
Managing Director

Nationality, Age, Gender
Danish, 51, Male

Date of Appointment
1 July 2016

Length of service (as of 12 March 2018)
1 year 8 months

Date of last Re-election
20 April 2017

Academic / Professional Qualifications
Master of Science, International Marketing, Copenhagen Business School

Bachelor of Business Administration, Copenhagen Business School

Work Experience and Present Directorship(s)
Mr. Lars Lehmann is responsible for the SouthEast Asia sub-region comprising Malaysia and Singapore and oversees Carlsberg's investment in Sri Lanka.

He has been with the Carlsberg Group since 2003 and has undertaken various senior positions in the area of sales, marketing and general management for the Western and Eastern Europe markets as well as the export businesses. Prior to his appointment, Mr. Lehmann was the Regional CEO, Western Europe Challenger Markets from October 2012 overseeing 11 European markets like Germany, Italy, Greece, Bulgaria, Serbia, Croatia, Portugal, Estonia, Latvia, Lithuania and Carlsberg ExLiD (Export, License and Duty Free). Before joining the Carlsberg Group, he was with an advertising agency, Action Nordic for three (3) years and subsequently at Unilever Denmark for eight (8) years in sales and marketing.

Mr. Lehmann is currently the Chairman of Carlsberg Singapore Pte. Ltd. He is also on the Board of Carlsberg Marketing Sdn. Bhd., a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad, the Malaysian Danish Business Council and Maybev Pte. Ltd., a 51% owned subsidiary by Carlsberg Singapore Pte. Ltd., Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC. He is also a member of the Governing Council of the Confederation of Malaysian Brewers Berhad.

Roland Arthur Lawrence
Non-Executive Director
Member of Audit & Risk Management Committee

Nationality, Age, Gender
Australian, 59, Male

Date of Appointment
28 August 2012

Length of service (as of 12 March 2018)
5 years 6 months

Date of last Re-election
23 April 2015

Academic / Professional Qualifications
Fellow Certified Practicing Accountant (FCPA) in Australia

Master of Enterprise, Melbourne University

Postgraduate Diploma, Business, Deakin University, Australia

BA (Hons), National University of Singapore

Work Experience and Present Directorship(s)
Mr. Lawrence is currently the Vice President Finance, Asia of Carlsberg Breweries A/S. He also holds directorships in Carlsberg India Pvt. Ltd., Lao Brewery Co. Ltd. (Laos), Myanmar Carlsberg Co. Ltd. and Gorkha Brewery (P) Ltd.

He was the SVP and CFO Walmart (China) between 2008 and 2011 in China. In Australia, he worked mainly for the Coles Myer Group. His roles included being the General Manager, Group Planning & Finance, Coles Group and General Manager, Finance, Coles Supermarkets.

Chew Hoy Ping
Independent Non-Executive Director
Chairman of Audit & Risk Management Committee
Member of Remuneration Committee
Member of Nomination Committee

Nationality, Age, Gender
Malaysian, 60, Male

Date of Appointment
23 May 2014

Length of service (as of 12 March 2018)
3 years 9 months

Date of last Re-election
20 April 2017

Academic / Professional Qualifications
Member of the Malaysian Institute of Accountants

Member of the Malaysian Institute of Certified Public Accountants

Work Experience and Present Directorship(s)
Mr. Chew Hoy Ping had a professional career with PricewaterhouseCoopers (PwC) commencing in 1976 and spanning 30 years, including 15 years as a partner of the firm. Whilst at PwC, he was involved in a diverse range of professional services including auditing, corporate finance and business recovery. He held several leadership roles in PwC including Asia Pacific Chairman of Financial Advisory Services, Risk Management & Independence Leader, Deputy Chairman of the Governance Board, and a member of the Country Management Team. Mr. Chew also served work experiences with PwC Houston, Texas (1982-1984) and Bank Negara Malaysia (1986-1988). After PwC, he was the Chief Financial Officer for Southern Bank Berhad (subsequently acquired by CIMB) for about a year until mid-2006.

Mr. Chew is currently an Independent Non-Executive Director of Mulpha International Berhad (MIB) and Mudajaya Group Berhad (MSC) where he is the chair of their respective Audit Committees. He also sits on the Board of Ge-Shen Corporation Berhad where he is a member of its Audit Committee.

Graham James Fewkes
Non-Executive Director

Nationality, Age, Gender
British, 50, Male

Date of Appointment
Re-appointed to the Board on 26 February 2016

Length of service (as of 12 March 2018)
2 years

Date of last Re-election
21 April 2016

Academic / Professional Qualifications
BA (Hons) History, University of York, United Kingdom

Work Experience and Present Directorship(s)
Mr. Graham Fewkes was previously a Board member of the Company from 12 March 2009 to 23 May 2014.

Mr. Fewkes is currently the Executive Vice President, Asia of Carlsberg Breweries A/S with management responsibility for the Group's Asia and Africa operations.

Mr. Fewkes has worked in a range of commercial and senior management roles for international companies such as Grand Metropolitan PLC, Fosters Group and Scottish and Newcastle PLC, where he served as Commercial Director in the BBH joint venture in Russia and Eastern European markets. He joined the Carlsberg Group in October 2008 and has recently returned to Asia after serving as the Carlsberg Group's Global Chief Commercial Officer, based in Copenhagen. He also sits on the Board of several private companies within the Carlsberg Group.

Datuk Toh Ah Wah
P.M.W.
Independent Non-Executive Director
Member of Audit & Risk Management Committee
Member of Remuneration Committee
Member of Nomination Committee

Nationality, Age, Gender
Malaysian, 60, Male

Date of Appointment
17 May 2017

Length of service (as of 12 March 2018)
9 months

Date of last Re-election
N/A

Academic / Professional Qualifications
Bachelor of Commerce from Concordia University of Montreal, Canada

Work Experience and Present Directorship(s)
Datuk Toh joined Rothmans of Pall Mall (Malaysia) Berhad in July 1981, and basically stayed with this organisation throughout his professional career – this included being merged into the British American Tobacco (Malaysia) Berhad organisation in 1999 and retiring from BAT Malaysia at the end of June 2013.

For the first 10 years, Datuk Toh's roles were essentially in Sales and Marketing in Malaysia. He then began a succession of increasingly challenging line roles throughout Asia Pacific Region including China, Hong Kong, Taiwan, New Zealand, South Asia and South East Asia. The culmination was the position of Managing Director of BAT Malaysia in October 2009, the first and only Malaysian to have ever held this position.

Datuk Toh is currently serving three Boards, namely Petronas Chemicals Group Berhad, CTBAT International Company Limited based out of Hong Kong and Choice Foundation. He has recently retired from the Board of Tien Wah Press Holdings Berhad on 8 May 2017.

Michelle Tanya Achuthan
Independent Non-Executive Director

Nationality, Age, Gender
Malaysian, 46, Female

Date of Appointment
30 November 2017

Length of service (as of 12 March 2018)
3 months

Date of last Re-election
N/A

Academic / Professional Qualifications
Ms. Achuthan is a certified professional coach accredited by the International Coach Federation (ICF). She is also a certified Neuro Linguistics Programming practitioner accredited by the Association of Neuro Linguistics Programming (ANLP).

Work Experience and Present Directorship(s)
Ms. Achuthan is a 27-year advertising veteran and is currently the Managing Director of MEC Malaysia, a GroupM agency. Prior to that she spent over a decade at BBDO Malaysia in various positions leaving as its Managing Director. Her years of experience includes having worked at agencies such as JWT as well as Saatchi & Saatchi over varied business categories including Airlines, FMCG, Tourism, Luxury Goods, Finance, Telco, Retail and F&B.

Other information on directors:
- *Each director does not have any family relationships with any directors and/or major shareholders of the Company.*
- *Each director does not have any conflict of interest with the Company.*
- *Each director does not have any convictions for offences within the past five years.*
- *Details of the Directors' attendance at Board meetings are set out in the on Corporate Governance Overview Statement on pages 72 to 84 of this Annual Report.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors is fully committed to ensuring that the highest standards of corporate governance including accountability and transparency are practiced by the Company and throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

To this end, the Board continues to implement the principles and practices of the new Malaysian Code on Corporate Governance 2017 ("Code") towards achieving corporate excellence.

The ensuing paragraphs describe the extent of how the Group has applied and complied with the principles and best practices of the Code for the financial year ended 31 December 2017. The detailed application for each practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: www.carlsbergmalaysia.com.my

A BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board leads and has effective controls over the Group whereby collective decision and/or close monitoring are conducted on issues relating to strategy, performance, resources, standards of conduct and financial matters. The matters reserved for the collective decision of the Board are listed in the Appendix A of the Board Charter which is available on the corporate website - www.carlsbergmalaysia.com.my.

The Board has oversight on matters delegated to the Management whereby updates are reported at least on a quarterly basis. The Group adopts a Chart of Authority approved by the Board which the Management has to adhere to in carrying out its day-to-day functions.

The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Managing Director. The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):-

i. Audit & Risk Management Committee ("ARMC")
ii. Nomination Committee
iii. Remuneration Committee

The powers delegated to the Committees are set out in the Terms of Reference of each of the Committees as approved by the Board and set out in the Appendices B, C and D of the Board Charter.

1.2 The Chairman

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.

1.3 Chairman and Managing Director

The roles and responsibilities of the Chairman and Managing Director are made clearly distinct to further enhance the existing balance of power and authority. The Managing Director oversees the day to day management and running of the Group and the implementation of the Board's decisions and policies.

1.4 Qualified and competent Company Secretaries

The role of the Company Secretary is currently held by the Chief Financial Officer and since year 2013, an Assistant Secretary was appointed to jointly carry out the responsibilities in providing support to the Board as follows:-

(a) Ensure compliance of listing and related statutory obligations as well as updates on regulatory requirements, codes, guidance and relevant legislation;
(b) Ensure adherence to board policies and procedures, rules, relevant laws and best practices on corporate governance;
(c) Attend Board, Committees and General Meetings, and ensure the proper recording of minutes as well as follow-up on matters arising;
(d) Ensure proper upkeep of statutory registers and records and maintain a secured retrieval system which stores meeting papers and minutes of meetings;
(e) Assist the Chairperson in the preparation for and conduct of meetings; in terms of policies and procedures, and updates on regulatory requirements, codes, guidance and relevant legislation.

Both Company Secretaries have the requisite credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

The Group also engages the services of Tricor Corporate Services Sdn. Bhd., an external consultant, on corporate secretarial matters and compliance to provide additional advice on issues pertaining to compliance and Corporate Governance.

1.5 Access to information and advice

All Directors have access to the advice and services of the Company Secretary as well as to all information within the Group. There is also a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

All Directors are furnished with a comprehensive Board File including the meeting agenda usually two (2) weeks before each Board meeting. Sufficient time is given to enable the Directors to solicit further explanations and/or information, where necessary, so that deliberations at the meeting are focused and constructive.

The Board File includes, amongst others, sales and marketing development and strategies, financial results and forecasts, status of major projects, minutes of meetings of the Board and of the ARMC and other major operational, financial, compliance and legal issues. In addition, there is a schedule of matters reserved specifically for the Board's decision.

A secured online portal has been created to allow Directors online access to Board file, updates and other relevant documents. This portal enables sharing of updated information and documents with the Directors and amongst the Directors themselves.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter was adopted by the Board on 27 August 2013. Any subsequent amendment to the Charter can only be approved by the Board. Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, and investor relations and shareholder communication.

The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available on the corporate website - www.carlsbergmalaysia.com.my.

3. Good Business Conduct and Corporate Culture

3.1 Code of Ethics & Conduct

The first step in effectively embedding the Live by our Compass programme in the Company culture was to agree on the ethical standards valued by the Carlsberg Group that will support conducting business with integrity. In 2016, the Group adopted the 'Code of Ethics & Conduct' (the "COEC"), introduced by the Carlsberg Group to help its employees to make the right choices and to act appropriately in response to ethical dilemmas in their daily work. The COEC applies to the management, employees and contract workers of the Carlsberg Group.

The COEC has 14 key areas: Compliance with laws and company policies • Anti-corruption and anti-bribery laws • Trade sanctions and export control laws • Competition laws • Data protection and privacy laws • Responsible drinking • Conflicts of interest • Insider trading and handling of inside information • Protection and proper use of corporate assets • Confidential and proprietary information • Work environment • Gifts, meals and entertainment • Political activities and donations • Accuracy of books, records and public reports. The COEC is extensive but not exhaustive and the Group expects its employees to exercise sound judgement in their decision-making in order to adhere to the highest ethical standards. The COEC will be reviewed periodically.

In order to bring the COEC to life, employees were trained on the ethical standards set out in the COEC. As part of this training, in 2017 the Group launched an e-learning module that makes employees aware of ethical behaviours that are meaningful for the Carlsberg Group and need to be followed. The e-learners face various realistic dilemmas in which they have to help the main character – Cody the Elephant – to make the right ethical decisions. The e-learning module is available in all the local languages.

The Group also adopted the Carlsberg Group's new policy structure to support more effective and ethical business conduct. In April 2017, a first batch of updated and renewed policies was launched and became effective for the management, employees and contract workers of all entities in the Carlsberg Group. The new policies provide central direction, mitigate key company risks and underscore the behaviour expected of employees. The remaining policies were rolled out in 2017.

3.2 Carlsberg's Speak Up Policy

Carlsberg embraces an 'open-door' culture and all employees are encouraged to talk to their managers, or managers' manager, if they believe there has been a breach of the COEC. If they do not feel comfortable doing this, they can talk to their HR business partner, or reach out directly to the Chief Compliance Officer via SpeakUp@Carlsberg.com. Besides the above-mentioned channels, in 2016 the Group has introduced a new integrated phone and web system for employees to report compliance issues called the 'Speak Up' system via a secured web link or telephone line 1-800-88-4307 with designated access code, hosted by an external provider. A Carlsberg employee can make an initial report in his or her own language contact via the SpeakUp Line (phone or web) and the report is transcripted and translated into English by the external provider before it is assigned to a Carlsberg Group Compliance officer for review and follow up.

Part II - Board Composition

4. Board's objectivity

4.1 Composition of the Board

Currently, the Board has seven (7) members as set out below:

	Independent	Non-Executive
1. Dato' Lim Say Chong	✔	✔
2. Lars Lehmann	✖	✖
3. Roland Arthur Lawrence	✖	✔
4. Chew Hoy Ping	✔	✔
5. Graham James Fewkes	✖	✔
6. Datuk Toh Ah Wah	✔	✔
7. Michelle Tanya Achuthan	✔	✔
	4 out of 7	6 out of 7

The Board comprises a majority of Independent Directors represents more than 57% of the Board.

4.2 Tenure of Independent Director

Dato' Lim Say Chong has served the Board as an Independent Non-Executive Director and Chairman of the Company for a cumulative term of nearly fifteen (15) years. During his tenure, Dato' Lim Say Chong has continued to exercise his independence and carried out his professional duties in the best interest of the Company and shareholders.

4.3 Policy of Independent Director's Tenure

The Company does not have a policy which limits the tenure of its independent directors to 9 years. The shareholders' approval was obtained at the Annual General Meeting ("AGM") each year for the reappointment of Dato' Lim Say Chong who has served the Board as an Independent Non-Executive Director and Chairman for more than fourteen (14) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.4 Diverse Board and Senior Management Team

Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background. Please refer to the Profile of Directors and the Management Team on pages 68 to 71 and 66 to 67 respectively for further information.

4.5 Gender Diversity

The Board is supportive of gender diversity in the Board composition and senior management. Miss Jessica Alice Jacqueline Spence was appointed as the first female director on 27 May 2014. However, due to increasing demands from her regional and global responsibilities within the Carlsberg Group, Miss Spence had to resign from the Board on 25 August 2015. Ms. Michelle Tanya Achuthan was appointed as an Independent Non-Executive Director on 30 November 2017.

The Board through the Nomination Committee will consider the gender diversity as part of its future selection and will look into increasing female board representation in year 2018.

4.6 New Candidates for Board Appointment

For the recent appointment of Ms. Michelle Tanya Achuthan, the Company sourced for the most suitable candidates through its Human Resource search networks. The shortlisted candidates whom were not known to the existing Board members, were interviewed by the Nomination Committee and thereafter, met with the Board of Directors for endorsement of appointment.

4.7 Nomination Committee

The Nomination Committee which is charged with the responsibility of, amongst others, recommending the appointment of new Directors to the Board, was established on 1 October 2001 and comprises all of whom are Non-Executive and Independent Directors. The current members are:

- Dato' Lim Say Chong (Independent Non-Executive Chairman) - Chairman
- Chew Hoy Ping (Independent Non-Executive Director) - Member
- Datuk Toh Ah Wah (Independent Non-Executive Director) - Member

The Terms of Reference of the Nomination Committee is set out in the Appendix C of the Board Charter and is available on the corporate website - www.carlsbergmalaysia.com.my.

Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nomination Committee's key responsibilities are:

- Reviewing the Board composition and recommending new nominees to the Board as well as Board committees and the appointment and resignation of Chief Financial Officer for the Board's consideration.

- Assessing the effectiveness of the Board, Board Committees and the contribution of each Director (including the Independent Non-Executive Directors and Managing Director) and Chief Financial Officer every year, taking into consideration the required mix of skills, knowledge, expertise and experience and other requisite qualities including core competencies contributed by Non-Executive Directors. All assessments and evaluation are documented for proper records.

The Company Secretary will facilitate an induction and education programme for new Board members, which includes a visit to the Company's brewery and discussions with the Managing Director, Department Heads and Key Section Heads to better understand the operations, business and policies of the Group, which will allow new Board members to contribute effectively from the outset of their appointment. The relevant sections of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), particularly in relation to their responsibilities as Directors, are also conveyed to them.

5. Overall Board Effectiveness

5.1 Annual evaluation

The Board undertakes an annual assessment of Independent Directors and is satisfied that they continue to bring independent and objective judgement to board deliberations. Peer and self assessment are carried out by the Directors and the ARMC members once every year. For this reporting year, the directors conducted the annual evaluation exercise on an online platform. The results, in particular the key strength and weaknesses identified from the evaluation, will be shared with the Board to allow enhancements to be undertaken.

The Board intends to meet at least four (4) times a year, with additional meetings convened where necessary. Minutes of Board meetings are duly recorded by the Company Secretary. During the financial year ended 31 December 2017, a total of four (4) Board meetings were held as follows:

i. Tuesday, 21 February 2017
ii. Wednesday, 17 May 2017
iii. Thursday, 17 August 2017
iv. Thursday, 30 November 2017

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are obtained via circular resolutions which are supported with information necessary for an informed decision. To facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

The following is the record of attendance of the Board Members:-

	Directors	No. of meetings attended
1.	**Dato' Lim Say Chong** (Independent Non-Executive Chairman)	4/4
2.	**Lars Lehmann** (Managing Director)	4/4
3.	**Roland Arthur Lawrenc**e (Non-Executive Director)	4/4
4.	**Chew Hoy Ping** (Independent Non-Executive Director)	4/4
5.	**Graham James Fewkes** (Non-Executive Director)	3/4
6.	**Datuk Toh Ah Wah** (Independent Non-Executive Director) *– Appointed on 17.5.2017*	3/3
7.	**Michelle Tanya Achuthan** (Independent Non-Executive Director) *– Appointed on 30.11.2017*	0/0

The Board Committees are as follows:-

- Audit & Risk Management Committee
- Nomination Committee
- Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The following are the record of attendance for Board Committees' Meetings held in 2017:-

Audit & Risk Management Committee

Directors	No. of meetings attended
1. Chew Hoy Ping (Independent Non-Executive Director) - Chairman	4/4
2. Dato' Lim Say Chong (Independent Non-Executive Chairman) - Member	4/4
3. Roland Arthur Lawrence (Non-Executive Director) - Member	4/4
4. Datuk Toh Ah Wah (Independent Non-Executive Director) - Member *– Appointed on 11.9.2017*	1/1

Nomination Committee

Directors	No. of meetings attended
1. Dato' Lim Say Chong (Independent Non-Executive Chairman) - Chairman	4/4
2. Chew Hoy Ping (Independent Non-Executive Director) - Member	4/4
3. Datuk Toh Ah Wah (Independent Non-Executive Director) - Member *– Appointed on 11.9.2017*	1/1

Remuneration Committee

Directors	No. of meetings attended
1. Dato' Lim Say Chong (Independent Non-Executive Chairman) - Chairman	2/2
2. Chew Hoy Ping (Independent Non-Executive Director) - Member	2/2
3. Datuk Toh Ah Wah (Independent Non-Executive Director) - Member *– Appointed on 11.9.2017*	1/1

The Board is satisfied with the time commitment given by the Directors. All of the directors do not hold more than 5 directorships as required under paragraph 15.06 of the Listing Requirements. If anyone director wishes to accept a new directorship, the Chairman will be informed beforehand together with indication of time that will be spent on new appointment.

All existing Directors have attended the Mandatory Accreditation Programme ("MAP") as required by the Listing Requirements. During the course of the year, they have also attended other training programmes for directors and seminars on areas such as financial reporting standards, performance reviews, tax and accounting conferences that include the following:

Name Of Director	Training Programmes Attended
Dato' Lim Say Chong	No training attended for year 2017.
Lars Lehmann	1. Asia Leadership Conference, Kuala Lumpur on 22-23 February 2017. 2. Carlsberg Leadership Team Meeting IMD Programme, Lausanne, Switzerland on 1-3 March 2017. 3. Asia Commercial Conference, Hong Kong on 31 May 2017-2 June 2017. 4. Asia Leadership Conference, Kathmandu, Nepal on 15-16 June 2017. 5. Asia Leadership Conference, Hong Kong on 29-30 August 2017. 6. Carlsberg Leadership Meeting – Virtual, Hong Kong on 30-31 August 2017. 7. Carlsberg Leadership Meeting – Virtual, Manchester, United Kingdom on 14-15 December 2017.

Name Of Director	Training Programmes Attended
Roland Arthur Lawrence	1. Asia Leadership Conference, Kuala Lumpur on 22-23 February 2017. 2. Carlsberg Leadership Team Meeting IMD Programme, Lausanne, Switzerland on 1-3 March 2017. 3. Asia Leadership Conference, Kathmandu, Nepal on 15-16 June 2017. 4. Asia Leadership Conference, Hong Kong on 29-30 August 2017. 5. Carlsberg Leadership Meeting - Virtual, Hong Kong on 30-31 August 2017. 6. Carlsberg Leadership Meeting - Virtual, Manchester, United Kingdom on 14-15 December 2017.
Chew Hoy Ping	1. Audit Committee Conference 2017, Malaysian Institute of Accountants on 5 April 2017. 2. Advocacy Session on Corporate Disclosure, Bursa Malaysia on 3 October 2017. 3. Implementing the Companies Act 2016 & Malaysian Code of Corporate Governance 2017, Bursatra on 5 December 2017.
Graham James Fewkes	1. Asia Leadership Conference, Kuala Lumpur on 22-23 February 2017. 2. Carlsberg Leadership Team Meeting IMD Programme, Lausanne, Switzerland on 1-3 March 2017. 3. Asia Commercial Conference, Hong Kong on 31 May 2017-2 June 2017. 4. Asia Leadership Conference, Kathmandu, Nepal on 15-16 June 2017. 5. Asia Leadership Conference, Hong Kong on 29-30 August 2017. 6. Carlsberg Leadership Meeting – Virtual, Hong Kong on 30-31 August 2017. 7. Carlsberg Leadership Meeting – Virtual, Manchester, United Kingdom on 14-15 December 2017.
Datuk Toh Ah Wah	1. 19th Asia Oil & Gas Conference (AOGC 2017) on 7-9 May 2017. 2. What Directors Need to know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators, Bursatra on 24 November 2017. 3. Petronas Cultural Beliefs Upskilling Programme on 13 Dec 2017.
Michelle Tanya Achuthan	1. Mandatory Accreditation Programme ("MAP"), Bursatra on 12-13 February 2018.

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration policy

The objective of the Group's remuneration policy is to attract and retain the Directors and Senior Management required to lead and control the Group effectively. In the case of Executive Director and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

For the current remuneration policy, the remuneration payable to Non-Executive Directors in respect of Directors' fees are paid to Independent Non-Executive Directors only and also includes fees for ARMC Chairman and ARMC Members of the Company, who are Independent Non-Executive Directors. For year 2018, the Group is proposing a revision to the Independent Non-Executive Directors, details as set out in para 7.1 hereinbelow.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The fees were last revised in 2013. The remuneration for Non-Executive Directors, who are Non- Independent and are representatives of the Carlsberg Group in Denmark, are not paid by the Company but are paid by the Carlsberg Group.

6.2 Remuneration Committee

The Remuneration Committee, which was established on 18 August 2001, comprises exclusively of Independent Non-Executive. The current members are:

- Dato' Lim Say Chong (Independent Non-Executive Chairman) - Chairman
- Chew Hoy Ping (Independent Non-Executive Director) - Member
- Datuk Toh Ah Wah (Independent Non-Executive Director) - Member

The Remuneration Committee evaluates the remuneration packages of senior management executives and recommends for the Board's approval, the framework of executive remuneration of the Executive Director's remuneration package.

Non-Executive Directors' fees are determined by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his fee.

7. Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees for 2017 and 2018 are categorised as follows:

Remuneration for Directors' fees	2017 Amount (RM)	2018 Proposed amount (RM)
Fees for Chairman of the Company	90,000	120,000
Fees for each Independent Non-Executive Director	55,000	75,000
Fees for ARMC Chairman	15,000	20,000
Fees for the ARMC Member	8,000	8,000
Fees for Nomination Committee Chairman	–	2,500
Fees for Nomination Committee Member	–	2,000
Fees for Remuneration Committee Chairman	–	2,500
Fees for Remuneration Committee Member	–	2,000
Fees for Meeting allowance per meeting	1,000 (1st Meeting of the day), 500 (subsequent meetings on same day)	1,500*

* A Total of 10 meetings are scheduled for year 2018.

The Directors' fees are subject to the approval of shareholders of the Company.

The remuneration of the Directors of the Company for 2017 is as follows:

	Fees (RM)	Salaries (RM)	Allowance (RM)	Benefits-in -kind (RM)	Others Emoluments (RM)	Total (RM)
Independent Non-Executive Director						
Dato' Lim Say Chong	98,000	–	9,000	644	–	107,644
Chew Hoy Ping	70,000	–	9,000	692	–	79,692
Datuk Toh Ah Wah *Appointed on 17 May 2017*	39,360	–	6,500	606	–	46,466
Michelle Tanya Achuthan *Appointed on 30 November 2017*	4,670	–	–	–	–	4,670
Subtotal	212,030	–	24,500	1,942	–	238,472
Executive Director						
Lars Lehmann	–	1,897,940	155,341	300,814	1,437,173	3,791,268
Non-Executive Director						
Graham James Fewkes	–	–	–	–	–	–
Roland Arthur Lawrence	–	–	–	–	–	–
Total	212,030	1,897,940	179,841	302,756	1,437,173	4,029,740

7.2 Remuneration of Top Five Senior Management

The remuneration of the top five Senior Management Team of the Company is as follows:

Range of Remuneration (RM)	Top Five Senior Management
950,000 – 1,000,000	1
1,100,000 – 1,150,000	1
1,250,000 – 1,300,000	1
1,300,001 – 1,350,000	1
3,750,001 – 3,800,000	1
Total	**5**

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit & Risk Management Committee

8. Effective and Independent Audit & Risk Management Committee

The Audit Committee was renamed as the Audit & Risk Management Committee with effect from 11 September 2017.

Mr. Chew Hoy Ping, an Independent Non-Executive Director is the Chairman of the ARMC. On the composition and Terms of Reference of the ARMC, please refer to the ARMC Report on pages 89 to 91 for further information.

At the 47th AGM held on 20 April 2017, Messrs PricewaterhouseCoopers PLT was appointed as external auditors of the Group in place of the outgoing external auditors, Messrs KPMG PLT. The scope of the external auditors is ascertained by the ARMC, with a twice-a-year meeting held between the ARMC and the external auditors. Further information is found in the ARMC Report at pages 89 to 91.

Part II – Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board is updated on the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team. The findings of the internal audit function are regularly reported to the ARMC. Please refer to the Statement on Risk Management and Internal Control on page 82 for further information

10. Effective Governance, Risk Management and Internal Control

The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team.

The Group has an established internal audit function led by the Head of Internal Audit who reports directly to the ARMC at least on a quarterly basis. Further details of the Group's internal control system and framework is found in the Statement on Risk Management and Internal Control and ARMC Report at pages 86 and 91 respectively.

C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I – Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

The Board recognises the importance of an effective communication channel between the Board, shareholders and general public, and at the same time, full compliance with the disclosure requirements as set out in the Listing Requirements. The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

The Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.

The Group maintains a website at www.carlsbergmalaysia.com.my for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance, frequently-asked questions (FAQs) and updates on its various sponsorships and promotions. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the group's website. Written communications are attended to within 48 hours from day of receipt. The website also post all press releases made by the Group together with latest news on the Group and the industry.

Part II – Conduct of General Meetings

12. Encourage Shareholder Participation at General Meetings

The Annual General Meeting ("AGM") represents the principal forum for dialogue and interaction with shareholders. At every meeting, the Board sets out the progress and performance of the Group since the last meeting held. Shareholders are encouraged to participate in the subsequent Question & Answer session wherein the Directors, Company Secretary, Heads of Department as well as the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The notices of AGM are despatched to shareholders at least 28 days before the AGM, to allow shareholders additional time to go through the Annual Report and make the necessary attendance and voting arrangements. Details as below:

	Date of Issue	No. of Days before AGM	Date of Annual General Meeting
Annual Report 2015	18 March 2016	33 days	21 April 2016
Annual Report 2016	20 March 2017	30 days	20 April 2017
Annual Report 2017	12 March 2018	30 days	12 April 2018

During the year, the Managing Director and/or key management personnel also hold discussions with the press and analysts when necessary, to provide information on the Group's strategy, performance and major developments. A press briefing is also held after each AGM.

Before the commencement of AGM, the Directors and Management will join the shareholders together with a dedicated team of employees to assist the shareholders on the queries they may have. After the Chairman's address, the Managing Director will give a presentation which includes details on the performance, key developments and financial results for the reporting year and comments on outlook for the following year. The Chairman will share the Company's responses to questions posed by the Minority Shareholders Watchdog Group before engaging the shareholders on Questions & Answers session. The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

OTHER INFORMATION

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2017.

Non-audit fees

The non-audit fees paid to member firms of external auditors, Messrs PricewaterhouseCoopers PLT by the Group during the financial year ended 31 December 2017 amounted to RM56,340. This amount was incurred in respect of the following services:

1 Malaysia and Singapore Corporate tax related matters; and
2. Fees paid for the advisory services on Transfer Pricing services.

STATEMENT OF COMPLIANCE

The Board shall continue to strive for high standards of corporate governance throughout the Group. The Board is of the view that the Company has in all material aspects satisfactory complied with the principles and practices set out in the Code, except for the departures set out in the CG Report.

This Statement was approved by the Board on 14 February 2018.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

RESPONSIBILITY

The Board is committed to the continuous improvement of risk management and internal control practices within the Group (excluding associated company) to meet its business objectives. The Board affirms its overall responsibility for the effectiveness of the Group's systems of risk management and internal control, and for reviewing the adequacy and integrity of these systems to safeguard shareholders' investment, customers' interest and the Group's assets. In addition, the Managing Director and Chief Financial Officer have assured the Board that the systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. However, such systems, by their nature, can only provide reasonable, and not absolute, assurance against material misstatement, loss and fraud. These systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives of the Group.

RISK MANAGEMENT FRAMEWORK

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. This process is regularly reviewed by the Board and is in accordance with the "Statement on Risk Management & Internal Control: Guidance for Directors of Public Listed Issuers". The key elements of the Group's Risk Management Framework are described below:-

- **Structure**

  The Group adapts a decentralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibilities of the Heads of Department.

  A working group, the Risk Management Working Committee ("RMWC"), provides risk management support to Management for the Group as a whole. The role of the RMWC includes reporting, on a quarterly basis, of the status of risk mitigation actions, new risks identified and risks that have changed characteristics together with corresponding controls. The RMWC comprising key persons from all departments, submits its reports to both the Management and the Audit & Risk Management Committee ("ARMC") on a quarterly basis. The ARMC reports to the Board on any significant changes in the business and external environment which affect key risks.

  In 2017, the RMWC met 4 times wherein discussions were on the key risks faced by the Group and the status of the action plans taken.

- **Risk Assessment**

  The Group maintains a database of risks specific to the Group together with their corresponding controls, which are categorised as follows:-

  - Strategic, which are risks that affect the overall direction of the business.
  - Operational, which are risks that impact the delivery of the Group's products and services.
  - Financial, which are risks associated with financial processes and reporting.
  - Compliance, which are risks associated in relation to legal, statutory and corporate governance.

- **Risk Management Process**

  Potential risks were identified by the respective business functions based on relevant knowledge and expertise, publicly available information and advices from subject matter experts. The potential risks were then raised for discussion and deliberation by the RMWC during the quarterly meetings. In the event a risk was adopted, the risk owner would be responsible to provide periodic updates in term of risk mitigating activities and the corresponding results. During the year, the risk register was monitored and reviewed by Internal Audit Department.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below:-

- **Control Environment**

  The importance of a proper control environment is communicated throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees relating to areas of risk management, leadership, selling skills and employee management.

- **Control Structure**

  The Board and Management have established an organisational structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's control structure are as follows:

i. Management

- Management has introduced well-established standard operating procedures that cover all key aspects of the Group's various business processes. These policies and procedures deal with, amongst others, control issues for financial accounting and reporting, treasury management, asset security, information technology, health and safety, etc. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements.
- Aside from the standard operating procedures, changes in internal control procedures, if any, are also communicated via circulars and internal memos. Such circulars and memos are properly authorised by the relevant members of senior management.
- Management adopts a consistent approach in the constant review of key performance indicators set for various functions within the Group so as to ensure the efficiency & effectiveness of operational activities in achieving business objectives.
- Management maintains effective communication channels to provide and solicit feedback in relation to business performance, critical issues and other key business matters.

ii. Internal Audit

The Group has an Internal Audit Department ("IAD") that provides the ARMC and the Board with reasonable assurance on the adequacy and integrity of the system of internal controls. The IAD is staffed by a total of 4 professionals and it is led by Mr. Lim Tiong Eng @ Allan Lim as the Head of Internal Audit. He holds a Bachelor of Commerce (major in accounting) and he is a certified member of both CPA Australia & Malaysian Institute of Accountants.

The IAD is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors. The responsibilities of the IAD include developing the annual audit plan execution and reporting the audit results for the Group. For such purposes, the IAD:

- Prepares a detailed Annual Audit Plan in consultation with the Managing Director for submission to the Audit & Risk Management Committee for approval;
- Carries out all activities to conduct the audits in accordance with the audit plan;
- Shares its finding with the auditee upon completion of each audit; and
- Submits quarterly reports to the ARMC.

The ARMC Report set out on pages 89 to 91 of this Annual Report contains further details on the principal responsibilities and activities of the IAD in 2017.

iii. Audit & Risk Management Committee

The ARMC, on behalf of the Board, reviews on a quarterly basis the measures undertaken on internal control issues identified by the RMWC, internal auditors, external auditors and Management. During the year, 28 reports were issued by the IAD to the ARMC for their review.

The ARMC Report set out on pages 89 to 91 of this Annual Report contains further details on the activities undertaken by the ARMC in 2017.

iv. Board

The Board holds regular discussions with the ARMC and Management and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation.

- **Reporting and Information**

  Strategic plans are prepared by Management and form the basis for detailed annual budgets. The detailed budgets are prepared by business operating units and reviewed and approved by Management, the Board and the holding company.

  The monitoring of results against budget is conducted every month, with major variances followed up and management action taken, where necessary. The budget is updated every quarter for any changes in the business, financial and operating environment.

  Regular meetings attended by Management, led by the Managing Director, are held to discuss the various aspects of the business, financial and operational performance of the Group. Key matters affecting the Group are brought to the attention of the ARMC by the Managing Director, Chief Financial Officer or Head of Internal Audit and are reported to the Board on a regular basis. Management also ensures that it has the knowledge of key market information in respect of the Group's products and takes pro-active measures, as appropriate, in the best interests of the Group.

- **Monitoring and Review**

  There are processes for monitoring the system of internal controls and reporting any significant weaknesses together with details of corrective action.

  The system is reviewed on an ongoing basis by the Board (through the ARMC), Management, Finance Department and the IAD. Responsibility for monitoring compliance with policies, procedures and guidelines rests principally with the IAD, which reports directly to the ARMC as described above. Heads of Department are also actively involved in continually improving the control processes within their respective departments.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

REVIEW OF ADEQUACY OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board has reviewed and believes that the systems of internal controls are considered appropriate to business operations, and that the risks taken are at an acceptable level within the context of the business environment of the Group.

During the year, deficiencies in internal control were identified during the audit of financial statements and through internal audit activities. Additional internal controls and remediation actions were implemented and taken to address certain risk identified.

This Statement on Risk Management and Internal Control does not deal with the associated company as the Group does not have management control over its operations.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by MIA. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement of Risk Management and Internal Control is made in accordance with the resolution of Board date 14 February 2018.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Audit & Risk Management Committee ("ARMC") held four (4) meetings during the financial year ended 31 December 2017. The members of the ARMC and the record of their attendance are as follows: -

Membership	No. of meetings attended
Chew Hoy Ping *Independent Non-Executive Director - Chairman*	4/4
Dato' Lim Say Chong *Independent Non-Executive Chairman - Member*	4/4
Roland Arthur Lawrence *Non-Independent Non-Executive Director – Member*	4/4
Datuk Toh Ah Wah *Independent Non-Executive Director - Member* (Appointed as ARMC member on 11 September 2017)	1/1

The Managing Director, Chief Financial Officer and Head of Internal Audit attended the meetings for the purpose of briefing the ARMC on the activities involving their areas of responsibilities. The ARMC was also briefed by the external auditors on the findings of the external audit.

The external auditors were present at three (3) ARMC meetings during the financial year. At these meetings, the ARMC also held separate sessions with the external auditors without the executive board members present whereby the ARMC was briefed by the external auditors on their audit findings and any other observations they may have had during the audit process.

SUMMARY OF WORK PERFORMED BY AUDIT AND RISK MANAGEMENT COMMITTEE

The main activities undertaken by the ARMC during the financial year ended 31 December 2017 were as follows:-

- Reviewed the external auditors' scope of work, audit risks and focus areas, materiality thresholds, audit methodology, key milestones and other relevant matters. The ARMC also conducted separate one-to-one sessions with the external auditors without the presence of Management. In addition, the Chairman and members of the ARMC periodically held informal discussions with the external auditors to ensure audit issues are addressed on a timely basis.

- Reviewed the results of the external audit, the audit report and the Management representation letter, including Management's response. Further to that, the ARMC also scrutinised potential key audit matters raised by the external auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements. Two key audit matters vetted by the ARMC (as mentioned in the Independent Auditors' Report on page 171 to 175 for details) were:

  i. The accounting for trade discounts and volume rebates accruals as part of revenue recognition as this involved a diverse range of rebates. As noted by the external auditors, Management accrues the trade discounts and volume rebates based on the estimated volume to be achieved multiplied with the agreed rates with the customers.

  ii. The contingent liabilities relating to two bills of demand dated 17 September 2014 received from Selangor State Customs for additional excise duties and sales taxes amounting to RM56,343,291.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

On the ARMC's part, trade discounts and volume rebates are regularly reviewed as part of the financial reports presented by Management at each quarterly meeting. The area of trade discounts and volume rebates are also part of the Internal Audit work plan and thus routinely reported to the ARMC on the results of work done. The contingent liabilities pertaining to the two bills of demand from Selangor State Customs as noted are also regularly discussed at the ARMC and Board meetings.

- Assessed the performance, competency and professionalism demonstrated by the external auditors during the year. Obtained the assurance on independence from the external auditors and recommended the audit fees payable to the Board for approval.
- Considered and assessed the independence and objectivity of the external auditors during the year and also prior to engaging the external auditors for non-audit related services. The non-audit fees paid to the member firms of external auditors in 2017 amounted to RM56,340.
- Reviewed Internal Audit reports, recommendations and Management's response. Discussed actions taken with Management to improve the internal controls system based on findings identified by Internal Auditor. The Chairman of ARMC also conducted quarterly one-to-one sessions with the Head of Internal Audit to discuss the operations of the Internal Audit function as well as other relevant matters.
- Reviewed the Risk Management Framework and reports summarising the findings from work performed on the identification and assessment of enterprise-wide key risks.
- Reviewed the audited financial statements of the Company and the Group prior to submission to the Board for its approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable accounting standards approved by Malaysian Accounting Standards Board ("MASB").
- Reviewed the quarterly unaudited financial results and Bursa Malaysia Securities Berhad ("Bursa") announcements before recommending them for the Board's approval. The review and discussions were conducted with the Managing Director and the Chief Financial Officer.
- Throughout the financial year, the Chairman of the ARMC also held frequent discussions with the Chief Financial Officer relating to any potential material issues affecting financial reporting and disclosure. This included the Company's compliance with the Bursa Listing Requirements, MASB and other relevant legal and regulatory requirements.
- Reviewed pertinent issues of the Group which have a significant impact on the results of the Group including enhancement and investment in existing products, cost rationalisation measures and human resource development.
- Reviewed the significant related party transactions entered into by the Group.
- Reviewed the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of the Corporate Governance Overview Statement pursuant to the Bursa Listing Requirements.
- During the period of four (4) months where the office of Chief Financial Officer was vacant, the Chairman of the ARMC provided additional guidance and advice on financial matters whenever required.

SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION

The internal audit activities are undertaken by the Internal Audit Department ("IAD"). The Head of IAD reports directly to the ARMC. The department's role is to carry out independent and systematic reviews of the Group's system of internal controls so as to provide reasonable assurance that such system continues to operate effectively and efficiently. The IAD also works collaboratively with the Risk Management Working Committee ("RMWC") to review the risk management processes of the Group.

Throughout the year, the IAD performed the followings:

- Performed reviews based on the approved annual audit plan, in which focus areas were derived from the results of risk assessment conducted on the business plan, financial statements and operational processes. Apart from such risk based approach, the internal control principles as advocated by the Committee of Sponsoring Organisations of the Treadway Commission, commonly known as COSO framework was also observed where applicable in the execution of internal audit reviews.

- Identified auditable areas and performed reviews based on the risk levels assessed. Consideration was also given to any concerns shared by Management. The areas that were audited comprised trade and commercial, financial, manufacturing, compliance and information system related activities.

- Carried out special reviews and investigations whenever necessary and reported to the ARMC the outcomes of such engagements. Presented the necessary information and outcomes to the ARMC with regards to any case of whistleblowing.

- Reviewed the Group's state of compliance with established principles and practices, as well as the relevant statutory requirements.

- Assessed the internal controls put in place by Management to safeguard the Group's assets & inventory and verified their satisfactory operation in the course of executing the Internal Audit plan.

- Collaborated with Management to promote the culture of practising good internal controls and governance to attain optimal business efficiency and process effectiveness.

- Identified business areas that necessitated process improvements and put forward recommendations to minimise financial wastage and to prevent fraud. Closely monitored the timeliness and effectiveness of the implementation of corrective actions by Management in addressing reported audit observations.

- The total cost incurred by the IAD in relation to its operation during the financial year ended 31 December 2017 amounted to MYR816,000.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements for the Group and the Company, the Directors are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

It is the responsibility of the Directors to ensure that financial statements for each financial year present a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2017, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with applicable accounting standards and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT
For the year ended 31 December 2017

The Board of Directors has pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

DIRECTORS OF THE COMPANY

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Lim Say Chong
Lars Lehmann
Roland Arthur Lawrence
Chew Hoy Ping
Graham James Fewkes
Datuk Toh Ah Wah (appointed on 17 May 2017)
Michelle Tanya Achuthan (appointed on 30 November 2017)
Olivier Dubost (resigned on 5 February 2018)

PRINCIPAL ACTIVITIES

The Company is principally engaged in the production of beer, stout, cider, shandy and non-alcoholic beverages for distribution in the domestic market and for export while the other Group entities are primarily involved in the marketing and distribution of beer, stout, cider, shandy, liquor and non-alcoholic beverages. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
- Owners of the Company	221,165	233,873
- Non-controlling interests	11,213	–
Profit for the financial year	232,378	233,873

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued by the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the holding company's Employees' Share Option Scheme ("ESOS").

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares in the Company and its related corporations (other than wholly-owned subsidiaries) during the financial year except as follows:

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Deemed interest in the Company				
Dato' Lim Say Chong*	52,000	–	–	52,000
Chew Hoy Ping	–	10,000	–	10,000

* Lim Ju Ean @ Lindsey Lim Ju Ean is the daughter of Dato' Lim Say Chong. In accordance with Section 59(11) (c) of the Companies Act 2016, the interests of Lim Ju Ean @ Lindsey Lim Ju Ean in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of Dato' Lim Say Chong.

None of the other Directors holding office at 31 December 2017 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
For the year ended 31 December 2017

DIVIDENDS

The dividends paid or declared since the end of the previous financial year were as follows:

In respect of financial year ended 31 December 2016:

A final and special single tier dividend of 67.0 sen per ordinary share totalling RM204.9 million paid on 19 May 2017.

In respect of financial year ended 31 December 2017:

An interim single tier dividend of 10.0 sen per ordinary share totalling RM30.6 million paid on 6 October 2017.

The Directors recommend the payment of a final single tier dividend of 66.0 sen per ordinary share and a special single tier dividend of 11.0 sen per ordinary shares, amounting to net dividend payment of RM201.8 million and RM33.6 million respectively in respect of the financial year ended 31 December 2017.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 19 to the financial statements.

HOLDING COMPANIES

The Directors regard Carlsberg Breweries A/S and Carlsberg A/S, companies incorporated in Denmark, as the immediate holding company and ultimate holding company respectively.

EMPLOYEE SHARE OPTION SCHEME

There are no new ordinary share were issued to settle share option during the year.

The number of options outstanding at the end of the financial year under the share option programme are as follows:

	Number of options over ordinary shares of DKK20 each			
	At 1.1.2017	Granted	Exercised	At 31.12.2017
Types of grant				
Interest in the ultimate holding company, Carlsberg A/S				
First grant on 1 March 2010				
- Carlsberg b shares	1,200	–	–	1,200

Details of the share option programme are set out in Note 3 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
For the year ended 31 December 2017

SUBSIDIARIES

Details of subsidiaries are set out in Note 10 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 5 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 12 March 2018.

Signed on behalf of the Board of Directors:

LARS LEHMANN **MANAGING DIRECTOR**	**CHEW HOY PING** **DIRECTOR**

Selangor Darul Ehsan

12 March 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue – Sales of goods		**1,768,223**	1,679,494	**805,328**	792,485
Cost of sales		**(1,148,567)**	(1,082,292)	**(774,096)**	(755,053)
Gross profit		**619,656**	597,202	**31,232**	37,432
Other income		**8,122**	8,135	**21,781**	17,683
Sales and distribution expenses		**(271,414)**	(252,186)	**(111)**	(129)
Administrative expenses		**(54,534)**	(55,540)	**(32,409)**	(34,350)
Other expenses		**(2,859)**	(3,555)	**(1,583)**	(3,866)
Results from operating activities		**298,971**	294,056	**18,910**	16,770
Investment income		**–**	–	**218,340**	244,877
Finance income		**2,499**	1,910	**399**	325
Finance costs		**(6,437)**	(7,067)	**(1,674)**	(2,438)
Operating profit	5	**295,033**	288,899	**235,975**	259,534
Share of loss of equity accounted associate, net of tax		**(241)**	(5,056)	**–**	–
Profit before tax		**294,792**	283,843	**235,975**	259,534
Tax expense	6	**(62,414)**	(73,178)	**(2,102)**	(6,325)
Profit for the financial year		**232,378**	210,665	**233,873**	253,209
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedge		**1,438**	–	**1,438**	–
Exchange differences on translation of foreign operations		**(9,842)**	928	**–**	–
Other comprehensive (loss)/income for the financial year, net of tax		**(8,404)**	928	**1,438**	–
Total comprehensive income for the financial year		**223,974**	211,593	**235,311**	253,209
Profit attributable to:					
Owners of the Company		**221,165**	204,978	**233,873**	253,209
Non-controlling interests		**11,213**	5,687	**–**	–
Profit for the financial year		**232,378**	210,665	**233,873**	253,209

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total comprehensive income attributable to:					
Owners of the Company		**212,761**	205,906	**235,311**	253,209
Non-controlling interests		**11,213**	5,687	**–**	–
Total comprehensive income for the financial year		**223,974**	211,593	**235,311**	253,209
Basic earnings per ordinary share (sen)	7	**72.34**	67.04		

The notes on pages 109 to 169 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	177,799	172,287	159,725	155,236
Intangible assets	9	3,421	4,344	177	651
Investments in subsidiaries	10	–	–	391,572	391,572
Investment in an associate	11	64,309	73,074	25,164	25,164
Deferred tax assets	12	2,694	3,087	–	–
Total non-current assets		248,223	252,792	576,638	572,623
Current assets					
Inventories	13	68,412	96,283	25,709	24,204
Receivables, deposits and prepayments	14	248,199	270,065	40,883	48,219
Tax recoverable		11,599	6,112	11,599	6,112
Cash and cash equivalents	15	74,992	36,270	11,175	1,896
Total current assets		403,202	408,730	89,366	80,431
Total assets		651,425	661,522	666,004	653,054
EQUITY AND LIABILITIES					
Equity					
Share capital	16	149,363	154,039	149,363	154,039
Reserves	16	149,655	167,650	391,935	387,374
Total equity attributable to equity holders of the Company		299,018	321,689	541,298	541,413
Non-controlling interests		13,448	8,358	–	–
Total equity		312,466	330,047	541,298	541,413
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	12	19,262	15,201	19,083	15,018
Payables and accruals	17	–	1,698	–	1,496
Provision	17	327	–	–	–
Total non-current liabilities		19,589	16,899	19,083	16,514

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current liabilities					
Payables and accruals	17	276,497	252,121	105,623	95,127
Current tax liabilities		26,096	29,016	–	–
Loans and borrowings	18	16,777	33,439	–	–
Total current liabilities		319,370	314,576	105,623	95,127
Total liabilities		338,959	331,475	124,706	111,641
Total equity and liabilities		651,425	661,522	666,004	653,054

The notes on pages 109 to 169 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		Attributable to owners of the Company											
		Non-distributable							Distributable				
	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Exchange reserve RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group													
At 1 January 2016		154,039	(12,043)	7,367	19,587	-	3,931	(451)	(780)	163,925	335,575	7,013	342,588
Other comprehensive income:													
- Exchange differences on translation of foreign operations		-	-	-	928	-	-	-	-	-	928	-	928
Profit for the financial year		-	-	-	-	-	-	-	-	204,978	204,978	5,687	210,665
Total comprehensive income for the financial year		-	-	-	928	-	-	-	-	204,978	205,906	5,687	211,593
Dividends to owners of the Company	20	-	-	-	-	-	-	-	-	(220,139)	(220,139)	-	(220,139)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(4,342)	(4,342)
Effects of share-based payments		-	-	-	-	-	-	347	-	-	347	-	347
Total transactions with owners of the Company		-	-	-	-	-	-	347	-	(220,139)	(219,792)	(4,342)	(224,134)
At 31 December 2016		154,039	(12,043)	7,367	20,515	-	3,931	(104)	(780)	148,764	321,689	8,358	330,047

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Exchange reserve RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/---- Attributable to owners of the Company ----									----/		
		/---- Non-distributable ----							----/	Distributable			
Group													
At 1 January 2017		154,039	(12,043)	7,367	20,515	-	3,931	(104)	(780)	148,764	321,689	8,358	330,047
Other comprehensive income:													
- Exchange differences on translation of foreign operations		-	-	-	(9,842)	-	-	-	-	-	(9,842)	-	(9,842)
- Fair value gain on cash flow hedge		-	-	-	-	1,438	-	-	-	-	1,438	-	1,438
Profit for the financial year		-	-	-	-	-	-	-	-	221,165	221,165	11,213	232,378
Total comprehensive income for the financial year		-	-	-	(9,842)	1,438	-	-	-	221,165	212,761	11,213	223,974
Dividends to owners of the Company	20	-	-	-	-	-	-	-	-	(235,426)	(235,426)	-	(235,426)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(6,123)	(6,123)
Treasury shares cancelled		(12,043)	12,043	-	-	-	-	-	-	-	-	-	-
Transfer pursuant to Companies Act 2016		7,367	-	(7,367)	-	-	-	-	-	-	-	-	-
Effects of share-based payments		-	-	-	-	-	-	(6)	-	-	(6)	-	(6)
Others		-	-	-	-	-	-	-	780	(780)	-	-	-
Total transactions with owners of the Company		(4,676)	12,043	(7,367)	-	-	-	(6)	780	(236,206)	(235,432)	(6,123)	(241,555)
At 31 December 2017		149,363	-	-	10,673	1,438	3,931	(110)	-	133,723	299,018	13,448	312,466

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total equity RM'000
		/---------- Non-distributable				----------/	Distributable	
Company								
At 1 January 2016		154,039	(12,043)	7,367	(662)	–	359,371	508,072
Profit/total comprehensive income for the financial year		–	–	–	–	–	253,209	253,209
Dividends to owners of the Company	20	–	–	–	–	–	(220,139)	(220,139)
Effects of share-based payments		–	–	–	271	–	–	271
Total transactions with owners of the Company		–	–	–	271	–	(220,139)	(219,868)
At 31 December 2016		154,039	(12,043)	7,367	(391)	–	392,441	541,413
At 31 December 2016/ 1 January 2017		**154,039**	**(12,043)**	**7,367**	**(391)**	**–**	**392,441**	**541,413**
Other comprehensive income:								
- Cash flow hedge		**–**	**–**	**–**	**–**	**1,438**	**–**	**1,438**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**233,873**	**233,873**
Total comprehensive income for the financial year		**–**	**–**	**–**	**–**	**1,438**	**233,873**	**235,311**
Dividends to owners of the Company	20	**–**	**–**	**–**	**–**	**–**	**(235,426)**	**(235,426)**
Treasury shares cancelled		**(12,043)**	**12,043**	**–**	**–**	**–**	**–**	**–**
Transfer pursuant to Companies Act 2016		**7,367**	**–**	**(7,367)**	**–**	**–**	**–**	**–**
Total transactions with owners of the Company		**(4,676)**	**12,043**	**(7,367)**	**–**	**–**	**(235,426)**	**(235,426)**
At 31 December 2017		**149,363**	**–**	**–**	**(391)**	**1,438**	**390,888**	**541,298**

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**294,792**	283,843	**235,975**	259,534
Adjustments for:					
Allowance for inventories write down	13	**300**	300	**300**	300
Amortisation of intangible assets	9	**1,176**	1,581	**484**	820
Depreciation of property, plant and equipment	8	**31,788**	32,123	**25,254**	25,700
Dividend income from a foreign quoted associate		**–**	–	**–**	(1,478)
Dividend income from unquoted subsidiaries		**–**	–	**(218,340)**	(243,399)
Finance costs		**6,437**	7,067	**1,674**	2,438
Finance income		**(2,499)**	(1,910)	**(399)**	(325)
Finished goods written off	13	**494**	1,871	**355**	72
Gain on disposal of property, plant and equipment		**(2,041)**	(288)	**(96)**	(14)
(Gain)/loss on unrealised foreign exchange		**(435)**	561	**(779)**	1,211
Share-based payments		**137**	545	**123**	635
Property, plant and equipment written off		**79**	–	**34**	–
Reversal of impairment loss on receivables		**(776)**	(172)	**–**	–
Share of loss of equity - accounted associate, net of tax		**241**	5,056	**–**	–
Operating profit before changes in working capital		**329,693**	330,577	**44,585**	45,494

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Changes in working capital:					
Inventories		**27,077**	(20,281)	**(2,159)**	4,593
Receivables, deposits and prepayments		**22,642**	15,240	**7,324**	(29,503)
Payables and accruals		**24,570**	3,098	**12,598**	(17,500)
Cash generated from operations		**403,982**	328,634	**62,348**	3,084
Tax paid		**(65,909)**	(65,241)	**(3,977)**	(8,216)
Net cash generated from operating activities		**338,073**	263,393	**58,371**	(5,132)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	8.2	**(37,639)**	(42,739)	**(30,006)**	(35,296)
Acquisition of intangible assets	9	**(255)**	(705)	**(10)**	(254)
Dividends received from unquoted subsidiaries		**–**	–	**218,340**	243,399
Dividend received from a foreign quoted associate		**–**	1,478	**–**	1,478
Interest received		**2,499**	1,910	**399**	325
Proceeds from disposal of property, plant and equipment		**2,595**	901	**259**	503
Net cash (used in)/generated from investing activities		**(32,800)**	(39,155)	**188,982**	210,155

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to owners of the Company	20	(235,426)	(220,139)	(235,426)	(220,139)
Dividends paid to owners of the non-controlling interests		(6,123)	(4,342)	–	–
Interest paid		(6,437)	(7,067)	(1,674)	(2,438)
Reimbursement to ultimate holding company for share options granted to employees		(144)	(198)	(123)	(198)
Net repayment of revolving credits		(17,123)	(862)	–	–
Net cash used in financing activities		(265,253)	(232,608)	(237,223)	(222,775)
Net increase/(decrease) in cash and cash equivalents		40,020	(8,370)	10,130	(17,752)
Effect of exchange rate fluctuations on cash held		(2,009)	877	(851)	(159)
Cash and cash equivalents at 1 January		32,319	39,812	1,896	19,807
Cash and cash equivalents at 31 December	15	70,330	32,319	11,175	1,896

Reconciliation of liabilities arising from financing activities

The following table illustrates the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes during the financial year:

	Note	At 1.1.2017 RM'000	Cash flows RM'000	Non-cash movement: Foreign exchange movement RM'000	At 31.12.2017 RM'000
Group					
Revolving credits	18	29,488	(17,123)	(250)	12,115
		29,488	(17,123)	(250)	12,115
Cash and cash equivalents (exclude bank overdraft)		(36,270)	(40,849)	2,127	(74,992)
Bank overdraft	18	3,951	829	(118)	4,662
Cash and cash equivalents		(32,319)	(40,020)	2,009	(70,330)
		(2,831)	(57,143)	1,759	(58,215)

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Carlsberg Brewery Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

No. 55, Persiaran Selangor,
Section 15, 40200 Shah Alam,
Selangor Darul Ehsan, Malaysia.

The consolidated financial statements as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is principally engaged in the production of beer, stout, shandy and non-alcoholic beverages for distribution in the domestic market and for export while the other Group entities are primarily involved in the marketing and distribution of beer, stout, cider, shandy, liquor and non-alcoholic beverages.

The immediate and ultimate holding companies during the financial year are Carlsberg Breweries A/S and Carlsberg A/S respectively. Both companies are incorporated in Denmark.

These financial statements were authorised for issue by the Board of Directors on 12 March 2018.

2 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities (including derivative instruments designated as cash flow hedge).

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective

The Group and the Company has applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2018. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following set out below:

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

  The effect of the above interpretation is currently being assessed by the Directors.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 introduces new hedge-accounting rules and a new impairment model: the expected credit loss (ECL) model that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The new hedge accounting rules imply that it will generally be easier to apply hedge accounting, as the new rules are more in line with the Group's risk management practice. Based on an assessment of the Group's current hedge arrangements, primarily aluminium hedges, an increased portion will qualify for hedge accounting, resulting in an increased portion of the fair value adjustment being recognised in other comprehensive income. The change in accounting policies applies to all hedging instruments.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. (continued)

  The new impairment model requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as is the case under current practice. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes.

  The stages determine how impairment losses are measured and the effective interest is applied. For trade receivables, the Group and the Company applies the simplified approach, which permits the use of lifetime ECL. Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

  The overall principle of the current impairment policy of the Group and of the Company is that impairment losses are based on an individual review of the need for impairment, taking into consideration the customers' creditworthiness and expected ability to pay, customer insolvency or anticipated insolvency, and past due amounts as well as collateral received. However, when no objective indication of individual impairment exists, management assesses the need to recognise the impairment for a portfolio of receivables. The analysis is based on customer segments, historical information on payment patterns, terms of payment and concentration maturity, as well as information about the general economic situation in the markets.

  The expected impact from implementation of MFRS 9 and the determination of ECL will have a relatively insignificant impact on trade receivables and profit before taxation as the current policy on hedge accounting and impairment of trade receivables are considered reasonably consistent with MFRS 9.

  The Group and the Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and related interpretations.

  The Group and the Company has assessed the effects of applying the new standard on the Group's and the Company's financial statements and has identified the following areas that will be affected:

  The implementation of MFRS 15 'Revenue from Contracts with Customers' will impact the Group's and the Company's financials and revenue stream to the extent that the related costs of the marketing activities with customers need to be recognised as a discount to revenue. MFRS 15 thus affects only changes in classification and does not have an impact on the timing of revenue recognition of the Group and the Company.

  MFRS 15 requires entity to account for consideration payable to a customer as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity.

  Accordingly, related costs of the supporting marketing activities provided for or organised together with the Group's customers will be considered as part of the customer relationship and the related costs will be recognised as discounts, not as marketing expenses.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and related interpretations. (continued)

  When applying the new policy, judgement is required to decide whether the related costs of an activity with a customer should be classified as a discount or a marketing expense, taking into account the drivers behind and the purpose of the activity. Generally, if the purpose of marketing activities is to increase sales with the individual customer, the related costs of the activities should be seen as a reduction of the transaction price and therefore classified as discount.

  The estimated impact from the implementation of MFRS 15 on the consolidated financial statements for 2017 is a reduction of the Group's revenue by 2% as a result of increased discounts. As this is merely a classification of marketing expenses to revenue, there is no impact to profit before taxation except for some financial ratios.

  The Group and the Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group and the Company are still assessing financial impact of the following standards and amendments to published standards on the financial statements of the Group and of the Company in the year of initial adoption.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Foreign currency transactions (continued)

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the exchange reserve ("ER") in equity.

(iii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the ER in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the ER related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(j)(i)).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

The Group and the Company categorise financial instruments as follows: (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Derivative and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at fair value at the trade date and subsequently re-measured at fair value at the end of each reporting period. Attributable transaction costs are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Derivative and hedging activities (continued)

(i) Cash flow hedge

The Group and the Company designates and documents, at the inception of a hedging transaction, the hedging relationship so that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Hedge accounting is only applied when the Group expects the derivative financial instrument to be highly effective in offsetting the designated hedged risk associated with the hedged item.

Changes in the portion of fair value of derivative financial instruments designated as and qualifying as a cash flow hedge and which effectively hedge changes in the value of the hedged item, are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. When the hedged transaction results in gains or losses, amounts previously recognised in other comprehensive income are transferred to the same item as the hedged item when the hedged item is recognised in the profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the non-financial asset is recognised.

(ii) Derivative that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	40 - 99 years
• Buildings	15 - 50 years
• Renovation	10 years
• Plant and machinery	3 - 20 years
• Motor vehicles	5 years
• Furniture and office equipment	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(f) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leased assets (continued)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Customised computer software

Customised computer software that is not integral to the functionality of the related equipment is recognised as an intangible asset. These intangible assets that are acquired by the Group or the Company are stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of customised computer software is 3 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitment. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 3(c)(ii).

(j) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use ("VIU") and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's and the Company's contribution to the statutory pension funds and Carlsberg Brewery Malaysia Retirement Plan, a defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(iii) Share-based payment transactions

Certain employees of the Group and the Company are entitled to a share option programme established by Carlsberg A/S that gives the right to Carlsberg A/S shares. The grant date fair value of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period from the grant date until the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Any reimbursement to Carlsberg A/S in relation to the share option programme is treated as a capital distribution and would be recorded directly in equity.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group and the Company can no longer withdraw the offer to those benefits and when the Group and the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earning per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The application of accounting standards and policies requires the Group to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Group considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Group's financial condition of operating performance.

Trade offer accruals

Trade offer accruals which consists primarily of trade discounts and volume rebates, are based on agreed trading terms and promotional activities with trade customers and distributors. Trade offer accruals are recognised under the terms of these agreements, to reflect the expected rebates, sales volume and historical experience. The calculation of trade discounts and volume rebate accruals is complex as it involved the use of critical accounting estimates and assumptions made by management in determining the expected sales volume. These accruals are reported within Receivables, Deposits and Prepayments (Note 14). The estimates for these accruals are regularly reviewed by senior management of the Group.

There were one-off adjustments that the Group made in the financial year which totalled RM 17.2 million in respect of trade offer accruals relating to Singapore operations.

NOTES TO THE FINANCIAL STATEMENTS

5 OPERATING PROFIT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating profit is arrived at after charging:				
Cost of materials and excise duties	**970,820**	883,274	**696,992**	673,996
Allowance for inventories written down	**300**	300	**300**	300
Amortisation of intangible assets	**1,176**	1,581	**484**	820
Auditors' remuneration:				
- Audit services	**273**	452	**121**	72
- Audit related services	**103**	13	**47**	13
Depreciation of property, plant and equipment	**31,788**	32,123	**25,254**	25,700
Finished goods written off	**494**	1,871	**355**	72
Impairment loss on receivables	**–**	665	**–**	–
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	**9,131**	9,513	**2,798**	2,576
- Contributions to other defined contribution plan	**727**	698	**310**	274
- Wages, salaries and others	**92,678**	86,478	**33,850**	34,509
Property, plant and equipment written off	**79**	–	**34**	–
Rental of land and buildings	**6,459**	7,994	**1,468**	2,003
Realised foreign exchange loss	**1,277**	127	**–**	503
Unrealised foreign exchange loss	**–**	561	**–**	1,211
and after crediting:				
Dividend income from unquoted subsidiaries	**–**	–	**218,340**	243,399
Dividend income from a foreign quoted associate	**–**	–	**–**	1,478
Finance income	**2,499**	1,910	**399**	325
Gain on disposal of property, plant and equipment	**2,041**	288	**96**	14
Rental income from subsidiary	**–**	–	**780**	780
Reversal of impairment loss on receivables	**776**	837	**–**	–
Realised foreign exchange gain	**–**	–	**573**	–
Unrealised foreign exchange gain	**435**	–	**779**	–
Management fees charged to a subsidiary	**–**	–	**14,687**	11,500

6 TAX EXPENSE

Recognised in profit or loss

Major components of tax expense include:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian				
- current year	49,459	48,140	3,042	5,225
- (over)/under provision in prior years	(5,426)	5,211	(4,551)	(622)
Overseas				
- current year	14,704	17,874	–	–
- over provision in prior years	(330)	–	–	–
	58,407	71,225	(1,509)	4,603
Deferred tax expense				
Origination and reversal of temporary differences	4,007	1,953	3,611	1,722
Total deferred tax	4,007	1,953	3,611	1,722
Total tax expense	62,414	73,178	2,102	6,325

Reconciliation of tax expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit before tax	294,792	283,843	235,975	259,534
Tax at Malaysian tax rate of 24% (2016: 24%)	70,750	68,122	56,634	62,288
Effect of tax in foreign jurisdiction	(5,754)	(6,615)	–	–
Non-taxable income	(89)	(845)	(52,490)	(58,842)
Non-deductible expenses	3,629	5,882	2,509	3,501
Share of results of associates	58	1,213	–	–
Double deduction on permitted expenses	(493)	(542)	–	–
Other items	69	752	–	–
	68,170	67,967	6,653	6,947
(Over)/under provision in prior years	(5,756)	5,211	(4,551)	(622)
Total tax expense	62,414	73,178	2,102	6,325

NOTES TO THE FINANCIAL STATEMENTS

6 TAX EXPENSE (CONTINUED)

Recognised in Other Comprehensive Income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax				
Arising on income and expense recognised in other comprehensive income - Fair value of financial instruments treated as cash flow hedges	454	–	454	–

7 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

Profit attributable to ordinary shareholders:

	Group	
	2017 RM'000	2016 RM'000
Profit for the financial year attributable to shareholders	221,165	204,978

Weighted average number of ordinary shares:

	Group	
	2017 '000	2016 '000
Issued ordinary shares	305,748	308,078
Effect of treasury shares held	–	(2,330)
	305,748	305,748
Basic earnings per ordinary share (sen)	72.34	67.04

All shares bought back in 1999 which were retained as treasury shares were cancelled on 17 May 2017.

8 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land (Note 8.1) RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Group										
Cost										
At 1 January 2016		10,571	19,097	59,998	486	386,559	18,166	52,429	11,169	558,475
Additions	8.2	–	–	1,029	6	36,086	4,201	1,234	183	42,739
Disposals		–	–	–	–	(804)	(1,175)	–	–	(1,979)
Written off		–	–	–	–	(59)	–	(1,064)	–	(1,123)
Transfers		–	–	–	–	10,552	–	–	(10,552)	–
Reclassification		–	–	–	–	22,285	–	(22,285)	–	–
Effect of movements in exchange rates		–	–	–	–	117	–	95	–	212
At 31 December 2016/ 1 January 2017		10,571	19,097	61,027	492	454,736	21,192	30,409	800	598,324
Additions	8.2	–	–	1,342	1,221	30,151	2,402	1,060	1,790	37,966
Disposals		–	–	–	–	(1,067)	(7,559)	(1,136)	–	(9,762)
Written off		–	–	–	–	(518)	–	(1,433)	–	(1,951)
Transfers		–	–	65	–	702	–	–	(767)	–
Effect of movements in exchange rates		–	–	–	–	(137)	–	(111)	–	(248)
At 31 December 2017		10,571	19,097	62,434	1,713	483,867	16,035	28,789	1,823	624,329

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 8.1) RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Group										
Depreciation										
At 1 January 2016		3,383	–	29,280	212	306,703	13,181	43,473	–	396,232
Depreciation for the year	5	122	–	1,805	42	26,505	2,314	1,335	–	32,123
Disposals		–	–	–	–	(315)	(1,051)	–	–	(1,366)
Written off		–	–	–	–	(59)	–	(1,064)	–	(1,123)
Reclassification		–	–	–	–	16,600	–	(16,600)	–	–
Effect of movements in exchange rates		–	–	–	–	105	–	66	–	171
At 31 December 2016/ 1 January 2017		3,505	–	31,085	254	349,539	14,444	27,210	–	426,037
Depreciation for the year	5	122	–	1,830	273	25,894	2,392	1,277	–	31,788
Disposals		–	–	–	–	(1,052)	(7,328)	(828)	–	(9,208)
Written off		–	–	–	–	(484)	–	(1,388)	–	(1,872)
Effect of movements in exchange rates		–	–	–	(7)	(129)	–	(79)	–	(215)
At 31 December 2017		3,627	–	32,915	520	373,768	9,508	26,192	–	446,530
Carrying amounts										
At 31 December 2017		6,944	19,097	29,519	1,193	110,099	6,527	2,597	1,823	177,799
At 31 December 2016		7,066	19,097	29,942	238	105,197	6,748	3,199	800	172,287

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 8.1) RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Company									
Cost									
At 1 January 2016		10,399	18,952	58,813	389,396	1,256	18,230	11,168	508,214
Additions	8.2	–	–	1,029	33,471	–	613	183	35,296
Disposals		–	–	–	(804)	(60)	–	–	(864)
Written off		–	–	–	(59)	–	(941)	–	(1,000)
Transfers		–	–	–	10,552	–	–	(10,552)	–
Transfer from subsidiary		–	–	–	–	60	–	–	60
At 31 December 2016/ 1 January 2017		**10,399**	**18,952**	**59,842**	**432,556**	**1,256**	**17,902**	**799**	**541,706**
Additions	8.2	**–**	**–**	**1,214**	**26,200**	**–**	**802**	**1,790**	**30,006**
Disposals		**–**	**–**	**–**	**–**	**(631)**	**(350)**	**–**	**(981)**
Written off		**–**	**–**	**–**	**(515)**	**–**	**–**	**–**	**(515)**
Transfers		**–**	**–**	**–**	**702**	**–**	**–**	**(702)**	**–**
Transfer to subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**(66)**	**(66)**
At 31 December 2017		**10,399**	**18,952**	**61,056**	**458,943**	**625**	**18,354**	**1,821**	**570,150**

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 8.1) RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Company									
Depreciation									
At 1 January 2016		3,297	–	28,811	311,871	604	17,502	–	362,085
Depreciation for the year	5	118	–	1,756	23,103	240	483	–	25,700
Disposals		–	–	–	(315)	(60)	–	–	(375)
Written off		–	–	–	(59)	–	(941)	–	(1,000)
Transfer from subsidiary		–	–	–	–	60	–	–	60
At 31 December 2016/ 1 January 2017		3,415	–	30,567	334,600	844	17,044	–	386,470
Depreciation for the year	5	118	–	1,781	22,708	147	500	–	25,254
Disposals		–	–	–	–	(471)	(347)	–	(818)
Written off		–	–	–	(481)	–	–	–	(481)
At 31 December 2017		3,533	–	32,348	356,827	520	17,197	–	410,425
Carrying amounts									
At 31 December 2017		6,866	18,952	28,708	102,116	105	1,157	1,821	159,725
At 31 December 2016		6,984	18,952	29,275	97,956	412	858	799	155,236

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 Leasehold land

Included in the carrying amount of leasehold land are lease of land with:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unexpired lease period less than 50 years	**78**	82	**–**	–
Unexpired lease period more than 50 years	**6,866**	6,984	**6,866**	6,984
	6,944	7,066	**6,866**	6,984

8.2 Purchase of property, plant and equipment

Purchase of property, plant and equipment for the year is presented in the statement of cash flow after deducting the capitalised asset retirement cost as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total additions of property, plant and equipment	**37,966**	42,739	**30,006**	35,296
Capitalised asset retirement cost	**(327)**	–	**–**	–
Purchase of property, plant and equipment	**37,639**	42,739	**30,006**	35,296

9 INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group			
Cost			
At 1 January 2016	2,634	20,453	23,087
Acquisition	–	705	705
Written off	–	(579)	(579)
Effect of movements in exchange rates	–	57	57
At 31 December 2016/1 January 2017	**2,634**	**20,636**	**23,270**
Acquisition	**–**	**255**	**255**
Written off	**–**	**(62)**	**(62)**
Effect of movements in exchange rates	**–**	**(59)**	**(59)**
At 31 December 2017	**2,634**	**20,770**	**23,404**

NOTES TO THE FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (CONTINUED)

		Goodwill RM'000	Computer software RM'000	Total RM'000
Group				
Amortisation				
At 1 January 2016		–	17,873	17,873
Amortisation for the year	5	–	1,581	1,581
Written off		–	(579)	(579)
Effect of movements in exchange rates		–	51	51
At 31 December 2016/1 January 2017		**–**	**18,926**	**18,926**
Amortisation for the year	5	**–**	**1,176**	**1,176**
Written off		**–**	**(62)**	**(62)**
Effect of movements in exchange rates		**–**	**(57)**	**(57)**
At 31 December 2017		**–**	**19,983**	**19,983**
Carrying amounts				
At 31 December 2017		**2,634**	**787**	**3,421**
At 31 December 2016		2,634	1,710	4,344

9 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
Company		
Cost		
At 1 January 2016		11,126
Additions		254
Written off		(161)
Transfer to subsidiary		(436)
At 31 December 2016/1 January 2017		**10,783**
Additions		**10**
At 31 December 2017		**10,793**
Amortisation		
At 1 January 2016		9,909
Amortisation for the year	5	820
Written off		(161)
Transfer to subsidiary		(436)
At 31 December 2016/1 January 2017		**10,132**
Amortisation for the year	5	**484**
At 31 December 2017		**10,616**
Carrying amounts		
At 31 December 2017		**177**
At 31 December 2016		651

NOTES TO THE FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (CONTINUED)

9.1 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating geographical divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

	Group	
	2017 RM'000	2016 RM'000
Subsidiary		
MayBev Pte. Ltd.	2,634	2,634

The recoverable amount of the cash-generating units ("CGU") - MayBev Pte. Ltd. was based on its value-in-use calculations. The recoverable amount for the CGU was higher than the aggregate carrying amount of the identifiable net assets and goodwill allocated and hence, no impairment loss was recognised during the year.

Value-in-use of the CGU was determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU. The key assumptions used for the CGU are as follows:

	2017	2016
Sales volume (% annual growth)	2%	3%
Long-term growth rate (%)	1%	1%
Pre-tax discount rate (%)	6%	9%

The 5-year cash flows forecast are based on the average annual growth of sales volume approved by the Directors based on past performance and management's expectation of market development. The discount rates used to discount the future cash flows are pre-tax and reflect the specific risks relating to the CGU.

The Directors of the Company believes that any reasonable change in the key assumptions would not cause the carrying amount of the CGU to exceed their recoverable amount.

10 INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares – at cost	**391,572**	391,572

The following are the subsidiaries of the Group:

Name of company	Principal activities	Principal place of business/country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Malaysia	**100**	100
Euro Distributors Sdn. Bhd.	Dormant	Malaysia	**100**	100
Carlsberg Singapore Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**100**	100
MayBev Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**51**	51

Audited by a member firm of PriceWaterhouseCoopers International

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows:

	Effective ownership interest held by NCI 2017 %	Effective ownership interest held by NCI 2016 %
MayBev Pte. Ltd.	**49**	49

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Set out below is summarised financial information for MayBev Pte. Ltd., the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	MayBev Pte. Ltd. 2017 RM'000	MayBev Pte. Ltd. 2016 RM'000
As at 31 December		
Non-current assets	1,133	1,751
Current assets	47,400	34,028
Non-current liabilities	(179)	(183)
Current liabilities	(18,792)	(15,776)
Net Assets	29,562	19,820
Accumulated non-controlling interests	13,448	8,358
Year ended 31 December		
Revenue	142,556	101,848
Profit for the financial year	22,884	11,607
Total comprehensive income	22,884	11,607
Profit allocated to non-controlling interests	11,213	5,687
Dividend paid to non-controlling interests	6,123	4,342
Cash flow generated from operating activities	24,348	12,194
Cash flow generated from/(used in) investing activities	332	(228)
Cash flow used in financing activities	(12,401)	(13,405)
Net changes in cash and cash equivalents	12,279	(1,439)

11 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Quoted shares, outside Malaysia	25,164	25,164	25,164	25,164
Share of post-acquisition reserves	39,145	47,910	–	–
	64,309	73,074	25,164	25,164
Market value				
Quoted shares, outside Malaysia	284,637	278,944	284,637	278,944

Name of company	Principal activities	Principal place of business/country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Lion Brewery (Ceylon) PLC	Manufacturing, marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Sri Lanka	25	25

Summary financial information on associate after fair value adjustment:

	2017 RM'000	2016 RM'000
As at 31 December		
Non-current assets	552,216	611,662
Current assets	284,025	373,016
Non-current liabilities	(268,965)	(266,549)
Current liabilities	(310,040)	(425,833)
Net assets	257,236	292,296
Year ended 31 December		
Revenue	729,645	891,317
Interest income	22,678	12,717
Interest expense	(60,872)	(49,523)
Tax income/(expense)	22,241	(25,169)
Profit/(loss) for the financial year	39	(20,431)
Other comprehensive (loss)/income	(1,003)	209
Total comprehensive loss	(964)	(20,222)
Dividends received from associate	–	1,478

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation to carrying amount:

	2017 RM'000	2016 RM'000
Net assets as at 1 January	**292,296**	320,660
Profit/(loss) for the financial year	**39**	(20,431)
Other comprehensive (loss)/income	**(1,003)**	209
Dividend paid	**–**	(5,912)
Exchange differences	**(34,096)**	(2,230)
Net assets as at 31 December	**257,236**	292,296
Group share at 25%	**64,309**	73,074
Carrying amount	**64,309**	73,074

In conjunction with the investment undertaken in Lion Brewery (Ceylon) PLC, the Company had written a call option with the principal licensor, Carlsberg A/S, its ultimate holding company incorporated in Denmark, allowing Carlsberg A/S to acquire the Company's interest in the associate, should certain events occur. The purchase consideration is to be based on an agreed formula and in any event to be a minimum of the original purchase price paid by the Company. The Directors of the Company consider the likelihood of occurrence of such events as remote and hence, the option's fair value is insignificant.

12 DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group						
Property, plant and equipment	–	–	(22,907)	(18,447)	(22,907)	(18,447)
Trade and other payables	7,777	7,317	–	–	7,777	7,317
Others	–	–	(1,438)	(984)	(1,438)	(984)
Tax assets/(liabilities)	7,777	7,317	(24,345)	(19,431)	(16,568)	(12,114)
Set off tax	(5,083)	(4,230)	5,083	4,230	–	–
Net tax assets/(liabilities)	2,694	3,087	(19,262)	(15,201)	(16,568)	(12,114)
Company						
Property, plant and equipment	–	–	(21,441)	(17,261)	(21,441)	(17,261)
Trade and other payables	3,796	3,227	–	–	3,796	3,227
Others	–	–	(1,438)	(984)	(1,438)	(984)
Tax assets/(liabilities)	3,796	3,227	(22,879)	(18,245)	(19,083)	(15,018)
Set off tax	(3,796)	(3,227)	3,796	3,227	–	–
Net tax assets/(liabilities)	–	–	(19,083)	(15,018)	(19,083)	(15,018)

NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year:

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 6) RM'000	At 1.1.2017 RM'000	Recognised in profit or loss (Note 6) RM'000	Recognised in other comprehensive income (Note 6) RM'000	Recognised in exchange reserve RM'000	At 31.12.2017 RM'000
Group							
Property, plant and equipment	(16,236)	(2,211)	(18,447)	(4,467)	–	7	**(22,907)**
Trade and other payables	7,059	258	7,317	460	–	–	**7,777**
Others	(984)	–	(984)	–	(454)	–	**(1,438)**
	(10,161)	(1,953)	(12,114)	(4,007)	(454)	7	**(16,568)**
Company							
Property, plant and equipment	(15,102)	(2,159)	(17,261)	(4,180)	–	–	**(21,441)**
Trade and other payables	2,790	437	3,227	569	–	–	**3,796**
Others	(984)	–	(984)	–	(454)	–	**(1,438)**
	(13,296)	(1,722)	(15,018)	(3,611)	(454)	–	**(19,083)**

13 INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Finished goods	52,276	81,361	9,737	9,477
Work-in-progress	4,647	3,438	4,648	3,438
Raw, packaging and other materials	6,944	6,882	6,890	6,838
Spare parts for machinery	4,545	4,602	4,434	4,451
	68,412	96,283	25,709	24,204

Recognised in profit or loss:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Allowance for inventories written down	300	300	300	300
Finished goods written off	494	1,871	355	72

14 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Trade receivables	22.4	157,996	186,056	–	–
Allowance for impairment loss	22.4	(1,356)	(2,168)	–	–
		156,640	183,888	–	–
Amount due from related companies	14.1	9,418	10,530	–	–
Amount due from a subsidiary	14.1	–	–	10,869	25,309
Amount due from immediate holding company	14.1	983	1,120	983	1,039
		167,041	195,538	11,852	26,348

NOTES TO THE FINANCIAL STATEMENTS

14 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-trade					
Amount due from immediate holding company	14.1	120	–	–	–
Amount due from a subsidiary	14.1	–	–	260	212
Amount due from related companies	14.1	285	502	285	502
Other receivables		5,656	13,347	2,700	2,692
Deposits		1,002	3,644	174	213
Prepayments	14.2	74,095	57,034	25,612	18,252
		81,158	74,527	29,031	21,871
		248,199	270,065	40,883	48,219

14.1 Amounts due from immediate holding company, subsidiaries and related companies

The trade balances are with a credit term of 30 days (2016: 30 days).

The non-trade balances are unsecured, interest free and repayable on demand.

14.2 Prepayments

Prepayments comprise of excise duties and upfront cash payments in relations to listing fees provided to the sales outlets. The listing fees are amortised over the duration of the contracts entered with these outlets. The upfront listing fee payments are recognised as discount to revenue.

15 CASH AND CASH EQUIVALENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits with licensed banks with maturity period less than 3 months		11,200	1,200	1,200	1,200
Cash at bank		63,661	34,911	9,957	685
Cash held on hand		131	159	18	11
		74,992	36,270	11,175	1,896
Bank overdraft	18	(4,662)	(3,951)	–	–
		70,330	32,319	11,175	1,896

16 SHARE CAPITAL

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Authorised:				
- 600,000,000 ordinary shares with no par value (2016: par value of RM0.50 each)				
At beginning of financial year	300,000	300,000	300,000	300,000
Effect of transition on 31 January 2017 under the Companies Act 2016	(300,000)	–	(300,000)	–
At end of financial year– ordinary shares with no par value (2016: par value of RM0.50 each)	–	300,000	–	300,000
Issued:				
- 305,748,000 ordinary shares with no par value (2016: 308,078,000 ordinary shares with par value of RM0.50 each)				
At beginning of financial year	154,039	154,039	154,039	154,039
Treasury shares cancelled	(12,043)	–	(12,043)	–
Transfer of share premium pursuant to no par value regime of the Companies Act 2016	7,367	–	7,367	–
At end of financial year – ordinary shares with no par value (2016: par value of RM0.50 each)	149,363	154,039	149,363	154,039

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group and the Company (see Note 16.4), all rights are suspended until those shares are reissued.

The Companies Act 2016 (the "Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amounts standing credit of the share premium account of RM 7,367,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the number of ordinary share in issue or the relative entitlement of any of the members as a result of this transition.

NOTES TO THE FINANCIAL STATEMENTS

16 SHARE CAPITAL (CONTINUED)

Reserves

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Share premium		–	7,367	–	7,367
Other reserves:					
Capital reserve	16.1	**3,931**	3,931	–	–
Exchange reserve	16.2	**10,673**	20,515	–	–
Share option reserve	16.3	**(110)**	(104)	**(391)**	(391)
Treasury shares	16.4	–	(12,043)	–	(12,043)
Cash flow hedge reserve	16.5	**1,438**	–	**1,438**	–
Others		–	(780)	–	–
		15,932	18,886	**1,047**	(5,067)
Distributable reserves:					
Retained earnings		**133,723**	148,764	**390,888**	392,441
		149,655	167,650	**391,935**	387,374

16.1 Capital reserve

The capital reserve comprises reserve capitalised by a subsidiary for bonus issue of shares in prior years.

16.2 Exchange reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

16.3 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options granted by the ultimate holding company. The grant date fair value of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. Any recharge by Carlsberg A/S in excess of the initial capital contribution initially recognised in the equity is treated as a capital distribution and would be recorded directly in equity.

16.4 Treasury shares

In 1999 via a resolution passed in a general meeting, the Company repurchased 2,330,000* of its issued share capital from the open market. The aggregate consideration paid for the repurchased shares was RM12,043,000, representing an average price of RM5.17* per ordinary share. The shares repurchased are being held as treasury shares in accordance with the provisions of Section 127(4) of the Companies Act 2016. All treasury shares were cancelled on 17 May 2017.

* After adjusting for the share split exercise in 2005.

16 SHARE CAPITAL (CONTINUED)

16.5 Cash flow hedge reserve

During the year, the Group and the Company has applied cash flow hedge. The cash flow hedges comprise aluminium hedges where the hedge item is aluminium cans that will be used by the Company. Aluminium swaps are used to hedge the risk of volatile aluminium prices associated with the purchase of cans.

The fair value changes of effective cash flow hedge on aluminium hedge contracts are recognised in other comprehensive income and attributed to this reserve.

17 PAYABLES AND ACCRUALS

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Accrued expenses		–	1,698	–	1,496
Provisions		327	–	–	–
		327	1,698	–	1,496
Current					
Trade					
Trade payables		192,525	167,410	72,392	62,315
Amount due to immediate holding company	17.1	1,881	2,215	–	–
Amount due to related companies	17.1	6,161	7,420	1,371	1,334
		200,567	177,045	73,763	63,649
Non-trade					
Other payables		16,085	32,106	4,856	5,811
Accrued expenses		47,672	25,309	17,224	15,424
Amount due to ultimate holding company	17.2	2,668	2,743	2,668	2,743
Amount due to immediate holding company	17.2	689	744	689	593
Amount due to related companies	17.2	8,816	14,174	6,423	6,907
		75,930	75,076	31,860	31,478
		276,497	252,121	105,623	95,127
		276,824	253,819	105,623	96,623

NOTES TO THE FINANCIAL STATEMENTS

17 PAYABLES AND ACCRUALS (CONTINUED)

17.1 Amounts due to immediate holding company and related companies

Amounts due to immediate holding company and related companies are unsecured, interest free and subjected to credit terms of 90 days (2016: 90 days).

17.2 Amounts due to ultimate holding company, immediate holding company and related companies

Amounts due to ultimate holding company, immediate holding company and related companies are unsecured, interest free and repayable on demand.

18 LOANS AND BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
Current-unsecured		
Bank overdraft	4,662	3,951
Revolving credits	12,115	29,488
	16,777	33,439

The short-term bank overdraft and revolving credits of the Group are subjected to interests ranging from 1.04% to 2.33% (2016: 1.12% to 2.13%) per annum.

19 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
- Fees	212	168	212	168
- Remuneration	1,898	2,004	1,898	2,004
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	483	518	483	518
	2,593	2,690	2,593	2,690
- Post-employment benefits	251	197	251	197
- Share-based payments	1,186	1,303	1,186	1,303
	4,030	4,190	4,030	4,190

19 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other key management personnel:				
- Short-term employee benefits	12,264	10,128	3,221	2,262
- Post-employment benefits	93	198	61	163
- Share-based payments	1,083	672	520	329
- Termination benefits	–	656	–	–
	13,440	11,654	3,802	2,754
	17,470	15,844	7,832	6,944

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

20 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
2017			
First interim 2017	10.0	30,574	6 October 2017
Final and special 2016	67.0	204,852	19 May 2017
Total amount		235,426	
2016			
First interim 2016	5.0	15,287	7 October 2016
Final and special 2015	67.0	204,852	20 May 2016
Total amount		220,139	

NOTES TO THE FINANCIAL STATEMENTS

20 DIVIDENDS (CONTINUED)

After the reporting period, the following dividend was proposed by the Directors. The dividends will be recognised in subsequent financial report upon approval by the shareholders.

	Sen per ordinary share	Total amount RM'000
For the financial year ended 31 December 2017		
Final	66.0	201,794
Special	11.0	33,632
		235,426

21 OPERATING SEGMENTS

The Group has three operating segments, which are the Group's geographical segments. The strategic business units offer similar products but are managed separately because they require different marketing strategies due to the geographical locations. For each of the strategic business unit, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's operating segments:

- Malaysia — Includes manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages by entities in Malaysia.
- Singapore — Includes marketing and distribution of both alcoholic and non-alcoholic beverages by entities in Singapore.
- Other — Includes manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages in geographical locations other than Malaysia and Singapore.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

21 OPERATING SEGMENTS (CONTINUED)

Segment assets, liabilities and capital expenditures

Segment assets, liabilities and capital expenditures information is neither included in the internal management reports nor provided regularly to the Group's Managing Director who is considered the Group's chief operating decision maker. Hence no such disclosures are provided below.

	Malaysia RM'000	Singapore RM'000	Other RM'000	Total RM'000
2017				
Segment profit	**216,931**	**82,584**	**–**	**299,515**
Included in the measure of segment profit are:				
Revenue from external customers	**1,170,958**	**597,265**	**–**	**1,768,223**
Inter-segment revenue	**75,654**	**–**	**–**	**75,654**
Depreciation and amortisation	**30,808**	**2,156**	**–**	**32,964**
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	**(6,047)**	**(390)**	**–**	**(6,437)**
Finance income	**2,499**	**–**	**–**	**2,499**
Income tax expense	**(48,158)**	**(14,256)**	**–**	**(62,414)**
Share of loss of equity-accounted associate, net of tax	**–**	**–**	**(241)**	**(241)**
2016				
Segment profit	195,553	98,408	–	293,961
Included in the measure of segment profit are:				
Revenue from external customers	1,096,377	583,117	–	1,679,494
Inter-segment revenue	73,401	–	–	73,401
Depreciation and amortisation	31,494	2,210	–	33,704
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	(6,515)	(552)	–	(7,067)
Finance income	1,910	–	–	1,910
Income tax expense	(55,388)	(17,790)	–	(73,178)
Share of loss of equity-accounted associate, net of tax	–	–	(5,056)	(5,056)

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS (CONTINUED)

Reconciliation of segment profit or loss

	2017 RM'000	2016 RM'000
Profit		
Total segment profit	299,515	293,961
Inter-segment elimination	(544)	95
Finance costs	(6,437)	(7,067)
Finance income	2,499	1,910
Share of loss of equity-accounted associate, net of tax	(241)	(5,056)
Consolidated profit before tax	294,792	283,843

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Non-current assets*	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Geographical location				
Malaysia	1,112,422	1,027,924	238,279	242,935
Singapore	597,265	583,117	7,250	6,770
Other countries	58,536	68,453	–	–
	1,768,223	1,679,494	245,529	249,705

* Non-current assets comprise property, plant and equipment, intangible assets and investment in associate.

Major customers

The Group does not transact with a single external customer amounting to 10% or more than the Group's total revenue.

22 FINANCIAL INSTRUMENTS

22.1 Categories for financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("OL").

	Group		Company	
	Carrying amount RM'000	L&R/(OL) RM'000	Carrying amount RM'000	L&R/(OL) RM'000
2017				
Financial assets				
Receivables and deposits	**174,104**	**174,104**	**15,271**	**15,271**
Cash and cash equivalents	**74,992**	**74,992**	**11,175**	**11,175**
	249,096	**249,096**	**26,446**	**26,446**
Financial liabilities				
Loans and borrowings	**(16,777)**	**(16,777)**	**–**	**–**
Payables and accruals	**(276,824)**	**(276,824)**	**(105,623)**	**(105,623)**
	(293,601)	**(293,601)**	**(105,623)**	**(105,623)**
2016				
Financial assets				
Receivables and deposits	213,031	213,031	29,967	29,967
Cash and cash equivalents	36,270	36,270	1,896	1,896
	249,301	249,301	31,863	31,863
Financial liabilities				
Loans and borrowings	(33,439)	(33,439)	–	–
Payables and accruals	(253,819)	(253,819)	(96,623)	(96,623)
	(287,258)	(287,258)	(96,623)	(96,623)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.2 Net gains and losses arising from financial instruments

Net gains/(losses) arising from financial instruments comprises finance income/(expense), unrealised foreign exchange gains/(losses) and impairment losses.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and receivables	**5,482**	5,738	**(529)**	204
Financial liabilities measured at amortised cost	**(4,432)**	(8,089)	**33**	(3,527)

22.3 Financial risk management

The Group and the Company have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, placements and cash maintained with financial institutions. The Company's exposure to credit risk arises principally from balances with subsidiaries, placements and cash maintained with financial institutions.

<u>Receivables</u>

<u>Risk management objectives, policies and processes for managing the risk</u>

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are required to be performed on new customers requiring credit. The Group normally requires collateral from its customers.

<u>Exposure to credit risk, credit quality and collateral</u>

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

The exposure of credit risk for trade receivables, net of impairment loss, as at the end of the reporting period by geographic region was:

	2017 RM'000	2016 RM'000
Malaysia	**84,253**	87,604
Singapore	**72,387**	96,284
	156,640	183,888

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2017			
Neither past due nor impaired	**140,972**	**–**	**140,972**
Past due but not impaired:			
1 - 30 days	**15,309**	**–**	**15,309**
31 - 60 days	**23**	**–**	**23**
61 - 90 days	**336**	**–**	**336**
Impaired	**1,356**	**(1,356)**	**–**
	157,996	**(1,356)**	**156,640**
2016			
Neither past due nor impaired	147,784	–	147,784
Past due but not impaired:			
1 - 30 days	27,373	–	27,373
31 - 60 days	5,739	–	5,739
61 - 90 days	609	–	609
Impaired	4,551	(2,168)	2,383
	186,056	(2,168)	183,888

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2017 RM'000	2016 RM'000
At 1 January	**(2,168)**	(3,471)
Impairment loss recognised	**–**	(665)
Impairment loss reversed	**776**	837
Impairment loss written off	**36**	1,131
At 31 December	**(1,356)**	(2,168)

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries and related companies. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Credit quality

As at the end of the reporting period, there was no indication that the advances to the subsidiaries and related companies are not recoverable. The advances to subsidiaries and related companies have been outstanding for less than a year.

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rate investments and daily short term deposits and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed only with licensed financial institutions.

Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Credit quality

Counterparties with external credit rating:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
AAA	39,712	17,843	9,849	445
AA1	1	1	–	–
AA2	11,331	1,463	1,308	1,440
A1	23,817	16,804	–	–
	74,861	36,111	11,157	1,885

22.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk (continued)

Maturity analysis

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	More than 1 year RM'000
Group					
2017					
Payables and accruals	276,497	–	276,497	276,497	–
Loans and borrowings	16,777	1.04-2.33	16,794	16,794	–
	293,274		293,291	293,291	–
2016					
Payables and accruals	253,819	–	253,819	252,121	1,698
Loans and borrowings	33,439	1.12-2.13	33,469	33,469	–
	287,258		287,288	285,590	1,698
Company					
2017					
Payables and accruals	105,623	–	105,623	105,623	–
2016					
Payables and accruals	96,623	–	96,623	95,127	1,496

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's and the Company's financial position or cash flows.

22.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR") and Danish Krone ("DKK").

Risk management objectives, policies and processes for managing the risk

The Group and the Company did not hedge any foreign trade receivables and trade payables denominated in foreign currency during the year. In respect of other monetary assets and liabilities held in currencies other than RM and SGD, the Group ensures that the net exposure is kept to an acceptable level.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of any entity in the Group and the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Group				
2017				
Trade receivables	**3,556**	**4**	**–**	**–**
Cash and cash equivalents	**1,703**	**1,565**	**–**	**–**
Trade payables	**(9,099)**	**–**	**(971)**	**–**
Intercompany balances	**(1,404)**	**–**	**(3,318)**	**(3,875)**
Net exposure	**(5,244)**	**1,569**	**(4,289)**	**(3,875)**
2016				
Trade receivables	7,945	4	–	–
Cash and cash equivalents	9,283	1,878	–	–
Trade payables	(12,125)	–	(1,616)	–
Intercompany balances	(3,148)	–	(3,119)	(4,108)
Net exposure	1,955	1,882	(4,735)	(4,108)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Company				
2017				
Cash and cash equivalents	335	7	–	–
Trade payables	(8,831)	–	(956)	–
Intercompany balances	(4,666)	281	(1,995)	(3,875)
Net exposure	(13,162)	288	(2,951)	(3,875)
2016				
Cash and cash equivalents	369	15	–	–
Trade payables	(11,865)	–	(1,616)	–
Intercompany balances	(5,191)	212	(1,381)	(4,100)
Net exposure	(16,687)	227	(2,997)	(4,100)

Currency risk sensitivity analysis

Foreign currency risk arises primarily for transactions denominated in USD, SGD, EUR and DKK. The exposure to currency risk for transaction other than USD, SGD, EUR and DKK is not material and hence, sensitivity analysis is not presented.

A 10% (2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD	524	(196)	1,316	1,669
SGD	(157)	(188)	(28)	(23)
EUR	429	474	295	300
DKK	387	411	388	410
	1,183	501	1,971	2,356

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.2 Interest rate risk

The Group's borrowings are not exposed to a risk of change in their fair values due to changes in interest rates. The Group's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's borrowings are short term in nature. As such, the Group does not engage in any hedging activities to manage interest rate fluctuations.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate instruments				
Bank overdraft	(4,662)	(3,951)	–	–
Revolving credits	(12,115)	(29,488)	–	–

Interest rate risk sensitivity analysis

The exposure to interest rate risk arising from floating rate instruments is not material, and hence, sensitivity analysis is not presented.

22.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

23 CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

24 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Less than one year	2,290	2,317	396	274
Between one and five years	3,443	5,399	189	361
	5,733	7,716	585	635

The Group and the Company lease a number of sales offices under operating leases. The leases typically run for a period of two (2) years, with an option to renew the lease after the date of expiration. None of the leases includes contingent rentals.

25 CAPITAL COMMITMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure commitments				
Plant and equipment				
Authorised and contracted for	3,102	766	2,847	620

26 CONTINGENT LIABILITIES

On 23 September 2014, the Board of Directors of the Company had announced to the Bursa Malaysia that the Company had on 19 September 2014 received two bills of demand both dated 17 September 2014 from the Selangor State Director of Royal Malaysian Customs ("State Customs") for the following:

(i) Excise duty amounting to RM35,698,219.81 for period 1 July 2011 to 14 January 2014;
(ii) Sales tax amounting to RM13,763,381.02 and penalty amounting to RM6,881,690.56 for period of 1 July 2011 to 14 January 2014.

The Company has not agreed to the demands made by the State Customs. Based on legal advice sought, there are reasonable grounds to object the basis of the bills of demand issued by the State Customs. At this stage, the Directors believe that it is not probable that a future outflow of economic benefits will be required. The Director General of Customs has yet to decide in relation to the Company's appeal against the two bills of demand.

27 RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationship with the holding company and its related corporations, its subsidiaries (see Note 10), an associate (see Note 11), Directors and key management personnel. The relationship of related parties are identified as below:

Name of company	Country of incorporation	Classes of Related parties
Carlsberg Breweries A/S	Denmark	Immediate parent company
Carlsberg A/S	Denmark	Ultimate holding company
Carlsberg Marketing Sdn. Bhd.	Malaysia	Subsidiary
Carlsberg Singapore Pte. Ltd.	Singapore	Subsidiary
MayBev Pte. Ltd.	Singapore	Subsidiary
Lion Brewery (Ceylon) PLC	Sri Lanka	Associate
Carlsberg Hong Kong Ltd.	Hong Kong	Fellow subsidiary
Carlsberg Supply Company AG	Switzerland	Fellow subsidiary
Carlsberg Business Solutions	Denmark	Fellow subsidiary
Brasseries Kronenbourg SAS	France	Fellow subsidiary
CB Distribution Co. Ltd.	Thailand	Fellow subsidiary
Carlsberg Croatia D.O.O.	Croatia	Fellow subsidiary
Carlsberg Brewery Hong Kong Ltd.	Hong Kong	Fellow subsidiary
Carlsberg Supply Co. Asia Ltd.	Hong Kong	Fellow subsidiary
Kronenbourg Supply Company	France	Fellow subsidiary
Carlsberg Vietnam Breweries Limited	Vietnam	Fellow subsidiary
Lao Brewery Co. Ltd.	Laos	Fellow subsidiary
Carlsberg Taiwan Trading	Taiwan	Associate company of ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

27 RELATED PARTIES (CONTINUED)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 19 to the financial statements) with the Group and the Company are as follows:

	Transaction value for year ended 31 December			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Immediate holding company				
Purchases of materials and products	747	184	662	184
Purchases of services	4,225	4,184	3,646	4,151
Royalties payable	35,300	33,057	6,719	6,156
Net settlements in respect of (gain)/loss from hedging contracts	(3,846)	1,861	(3,846)	1,861
Related companies				
Management fees payable	6,421	5,433	5,040	3,892
Purchases of materials and products	26,505	40,915	2	2,758
Purchases of services	4,104	10,633	2,287	2,292
Sale of goods and services	53,667	58,943	–	–

	Transaction value for year ended 31 December	
	Company	
	2017 RM'000	2016 RM'000
Subsidiaries		
Sale of goods and services	823,907	774,037
Management fee received	14,687	11,500
Rental income	780	780
Dividend income	218,340	243,399

The terms and conditions for the above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled with cash.

Outstanding balances are disclosed accordingly in Notes 14 and 17.

28 RECLASSIFICATION

The Company reclassified an account in the comparative for 31 December 2017 financial statements to conform the current year presentation. This only impact the presentation in the Company's statement of profit or loss and other comprehensive income with no impact to other statements.

Impact to the Statement of Profit or Loss and Other Comprehensive Income:

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
Financial year ended 31 December 2016			
Other income	6,183	11,500	17,683
Administrative expenses	(22,850)	(11,500)	(34,350)

As result of initiative to standardise the financial statements mapping, management income received from a subsidiary is reclassed from administrative expenses to other income.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Lars Lehmann and Chew Hoy Ping, two of the Directors of Carlsberg Brewery Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 99 to 169 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 12 March 2018.

LARS LEHMANN
MANAGING DIRECTOR

CHEW HOY PING
DIRECTOR

Selangor Darul Ehsan

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lim Chee Keat, the officer primarily responsible for the financial management of Carlsberg Brewery Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 99 to 169 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

LIM CHEE KEAT

Subscribed and solemnly declared by the abovenamed at Selangor Darul Ehsan on 12 March 2018.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the members of Carlsberg Brewery Malaysia Berhad
(Incorporated in Malaysia)
(Company No. 9210-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Carlsberg Brewery Malaysia Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 99 to 169.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

to the members of Carlsberg Brewery Malaysia Berhad
(Incorporated in Malaysia)
(Company No. 9210-K)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Accruals for trade discounts and volume rebates Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Trade discounts and volume rebates accruals are based on agreed trading terms and promotional activities with trade customers and distributors. These accruals are calculated based on estimated sales volume to be achieved by each customer, multiplied with the contracted rate of each customer based on their respective trading agreements. The calculation of trade discounts and volume rebates accruals is complex as it involved the use of critical accounting estimates and assumptions made by management in determining the estimated sales volume. The one-off adjustment that the Group made in the financial year which totalled RM 17.2 million is evidence of the complexity in determining the accruals for trade discounts and volume rebates. This is a significant area for our audit as it requires us to exercise judgement in evaluating management's estimation of the amount of trade discounts and volume rebates required. Refer to Note 3(n)(i) - Significant accounting policies on revenue recognition and measurement, and Note 4 - Use of estimates and judgements.	• We tested effectiveness of relevant controls and reliability of information generated from the systems which the Group used in estimating the accruals; • We discussed the critical accounting estimates and assumptions used in the determination of the accruals with management and evaluated the reasonableness of the estimates and assumptions used; • Developed an expectation of the current year accrual balance based on our understanding of relationship between revenue and trade discounts and volume rebates, which included consideration of historical data of actual trade discounts and volume rebates given by the Group against the accruals recorded by management; Based on the procedures performed, we noted the results of management's assessment and computation to be consistent with the outcome of our procedures.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Contingent liability and legal proceedings On 19 September 2014, the Company received two bills of demand both dated 17 September 2014 from the Selangor State Director of Royal Malaysian Customs ("State Customs") for additional excise duty and sales tax (including related penalties) amounting to RM56.3 million for the period 1 July 2011 to 14 January 2014. The Directors are disputing the basis of the additional quantum raised and is currently appealing to the State Customs. The Director General of Customs has yet to decide in relation to the Company's appeal against the two bills of demand. It is an area that our audit focuses on because the amount involved is significant and the application of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" to determine the amount, if any, to be provided for such disputed liability is inherently subjective. Refer to Note 3(s)(i) – Significant accounting policies on contingencies and Note 26 – Contingent liabilities.	Our audit procedures included, amongst others: • We discussed with management regarding any developments during the financial year and read the updated legal opinion obtained from the Company's appointed solicitor on the bills of demand from the State Customs; • We obtained confirmation of the current status of the legal case from the appointed solicitor; • We discussed with the appointed solicitor regarding their updated legal opinion to assess the reasonableness of the assertion made by the Directors that the Group and the Company have reasonable grounds to object the basis of the bills of demand issued by the State Customs. Accordingly, it is not probable that there will be an outflow of economic benefits to settle the bills of demand; and • We considered the adequacy of disclosures in the financial statements in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets". Based on the above procedures performed, we found the Directors' assessment of the probability to settle the bills of demand from the State Customs to be consistent with the facts and circumstances available at year end.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, and the remaining Annual Report 2017 of Carlsberg Brewery Malaysia Berhad, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

to the members of Carlsberg Brewery Malaysia Berhad
(Incorporated in Malaysia)
(Company No. 9210-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TUCK HENG
02092/09/2018 J
Chartered Accountant

Kuala Lumpur
12 March 2018

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Fax : 088-717 480

Kuantan
No. 25, Jalan IM14/3,
Kawasan Perindustrian Ringan,
Indera Mahkota,
25200 Kuantan, Pahang.
Tel : 09-573 0135 / 573 0136
Fax : 09-573 0136

Kuching
No. 287, Section 9, KTLD,
Ground & 1st Floor,
Off Rubber Road,
93400, Kuching, Sarawak.
Tel : 082-425 319 / 425 320
Fax : 082-421 660

Malacca
No. 23-23A, Jalan Malinja 1,
Taman Malinja, Bukit Baru,
75150 Malacca.
Tel : 06-282 7709 / 284 1530
Fax : 06-282 7930

Mentakab
c/o Lit Tat Trading Sdn. Bhd.
PT 13030B Jalan Industri 4,
Taman Industri Park,
28400 Mentakab, Pahang.
Tel : 09-278 3710
Fax : 09-278 3161

Miri
Lot 1415, Ground Floor & 1st Floor,
Lorong 5, Jalan Krokop, P.O. Box 1301,
98009 Miri, Sarawak.
Tel : 085-417 821 / 427 821
Fax : 085-437 821

Sandakan
c/o Bondestiny Sdn. Bhd.
Lot D-2, CL 075410454, Batu 8.5,
Jalan Kampung Melayu,
90007 Sandakan, Sabah.
Tel : 089-673 836
Fax : 089-673 837

Seremban
No. 15-2 2nd Floor,
Jalan Haruan 5/1,
Oakland Commercial Square,
70300 Seremban, Negeri Sembilan.
Tel : 06-603 7065 / 603 7056
Fax : 06-603 7096

Shah Alam
Lot 22, Jalan Pengapit 15/19,
Seksyen 15,
40200 Shah Alam,
Selangor.
Tel : 03-552 26688
Fax : 03-551 01135

Sibu
c/o Ee Chung Han Co. Sdn. Bhd.
Lot 1248-1249 Lorong Sukun 18,
Off Jalan Teng Kung Suk, Upper Lanang,
96007 Sibu, Sarawak.
Tel : 084-213 389 / 213 398
Fax : 084-213 323

Tawau
c/o DHN (KK) Sdn. Bhd.
No. 1906 Jalan Damai,
P.O. Box NO. 527,
91008 Tawau, Sabah.
Tel : 089-761 043
Fax : 089-761 049

PARTICULARS OF GROUP PROPERTIES

The Properties included in land and buildings as at 31 December 2017 (Note 8 to the Financial Statements) and their net book values are indicated below:-

Address	Description	Area (Acres)	Existing Use	Land Tenure	Approx. Age of Building (Years)	Net Book Value RM'000	Date of Acquisition Or Revaluation
55, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan.	Land and Building	20.00	Brewery and Offices	Leasehold expiring 23.2.2070	47	28,407	31/3/81 (revaluation)
No. 34, Towering Industrial Estate, Mile 4 1/2, Jalan Penampang, P.O. Box 13435, 88838 Kota Kinabalu, Sabah.	Land and Building	0.06	Office and Warehouse	Leasehold expiring 31.12.2037	38	301	28/3/95 (acquisition)
No. 394, Taman AST, Jalan Labu, 70200 Seremban, Negeri Sembilan Darul Khusus.	Land and Building	0.04	Office and Warehouse	Freehold	23	299	23/12/96 (acquisition)
Lot 22, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan.	Land and Building	1.81	Factory and Office	Leasehold expiring 23.2.2082	27	7,442	12/03/96 (acquisition)
No. 25, Jalan IM14/3, Kawasan Perindustrian Ringan, Indera Mahkota, 25200 Kuantan, Pahang Darul Makmur.	Building	0.05	Office and Warehouse	Leasehold expiring 29.3.2097	20	159	17/12/97 (acquisition)
No. EMR 3099, Lot No. 9 & No. EMR 3100, Lot No. 10, No. GM 76, Lot No. 35 & No. GM 77, Lot No. 36, In the Village of Batu Tiga / Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Land	6.41	Factory	Freehold	–	15,953	24/7/98 (acquisition)
Lot 1071, Mukim Damansara, District of Petaling, Selangor Darul Ehsan.	Land	1.30	Factory	Freehold	–	2,999	18/9/03 (acquisition)
						55,560	

ANALYSIS OF SHAREHOLDINGS
as at 6 February 2018

Issued Share Capital : RM152,874,000 comprising 305,748,000 ordinary shares
Class of Shares : Ordinary Shares
Voting Rights : One Vote Per Ordinary Share

Size of holdings	No. of shareholders	% of shareholders	No. of shares	% of shares
Less than 100	823	6.867	6,968	0.002
100 - 1,000	4,764	39.753	3,291,738	1.077
1,001 - 10,000	4,928	41.121	19,069,808	6.238
10,001 - 100,000	1,282	10.697	38,952,581	12.740
100,001 - 15,287,399*	186	1.552	88,494,405	28.943
15,287,400 and above**	1	0.01	155,932,500	51.000
Total	**11,984**	**100.00**	**305,748,000**	**100.00**

* Less than 5% of issued shares
** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares	% of shares
1.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Carlsberg Breweries A/S	155,932,500	51.000
2.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,085,320	2.971
3.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	3,518,500	1.150
4.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA For JPMorgan Funds	3,052,100	1.000
5.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Fund	2,861,500	0.935
6.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN For State Street Bank & Trust Company (West Clt Od67)	2,375,000	0.776
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN For AIA Bhd.	2,259,600	0.740
8.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt AN For UOB Kay Hian Pte. Ltd. (A/C Clients)	2,112,484	0.690
9.	Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund Mmgn For Mawer Global Small Cap Fund	1,919,500	0.627
10.	Yeoh Saik Khoo Sendirian Berhad	1,719,800	0.562

THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of shares	% of shares
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mak Tian Meng (7001418)	1,710,000	0.560
12.	Tai Tak Estates Sdn. Bhd.	1,500,000	0.490
13.	Cartaban Nominees (Asing) Sdn. Bhd. BBH (LUX) SCA For Fidelity Funds Asean	1,362,700	0.445
14.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA For Aviva Investors	1,287,200	0.421
15.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc.	1,258,600	0.411
16.	HSBC Nominees (Asing) Sdn. Bhd. NTGS LDN For Verdipapirfondet ODIN Emerging Markets	1,248,137	0.410
17.	Tokio Marine Life Insurance Malaysia Bhd. As Beneficial Owner (PF)	1,219,800	0.400
18.	UOBM Nominees (Asing) Sdn. Bhd. Banque De Luxembourg For BL Emerging Markets	1,200,000	0.392
19.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For DFA Emerging Markets Small Cap Series	1,166,100	0.381
20.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt AN For Deutsche Bank AG London (Prime Brkrg CLT)	1,142,900	0.373
21.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Income Fund	1,118,200	0.365
22.	Ho Han Seng	1,070,000	0.350
23.	Key Development Sdn. Berhad	1,038,000	0.340
24.	CIMSEC Nominees (Asing) Sdn. Bhd. Exempt AN For CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,025,253	0.335
25.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mak Tian Meng (JRC)	1,000,000	0.327
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	970,400	0.320
27.	Citigroup Nominees (Asing) Sdn. Bhd. CBLDN For Aviva Investors Multi-Strategy Target Return Fund (AIIF ICVC)	916,000	0.300
28.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN For Citibank New York (Norges Bank 9)	854,218	0.280
29.	Gan Teng Siew Realty Sdn. Berhad	845,000	0.276
30.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investmentsequity Income Fund	844,300	0.276
	Total	**207,613,112**	**67.903**

ANALYSIS OF SHAREHOLDINGS

as at 6 February 2018

SUBSTANTIAL SHAREHOLDER

		Direct		Indirect	
	Name	No. of shares	% of shares	No. of shares	% of shares
1	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Carlsberg Breweries A/S	155,932,500	51	–	–

DIRECTORS' INTERESTS

		Direct		Indirect	
	Name	No. of shares	% of shares	No. of shares	% of shares
1	Dato' Lim Say Chong	–	–	52,000#	0.017
2	Chew Hoy Ping	10,000	0.003	–	–

Deemed interested by virtue of shares held by his daughter.

None of the other Directors holding office as at 6 February 2018 had any interest in shares whether direct or indirect in the Company.

MATERIAL CONTRACTS

The particulars of material contracts of the Group with its related parties, subsisting as at 31 December 2017 or entered into since the end of the previous financial year 2016, are as follows:-

1. A call option agreement between CBMB and Carlsberg A/S **("CAS")** dated 18 November 1996, allowing CAS to acquire CBMB's interest in Lion Brewery Ceylon Limited, should certain events occur. The purchase consideration is to be based on an agreed formula and in any event, to be a minimum of the original purchase price paid by CBMB.

   CAS is the holding company of Carlsberg Breweries A/S **("CBAS")**, which in turn is the holding company and major shareholder of CBMB.

LIST OF RECURRENT RELATED PARTY TRANSACTIONS

The breakdown of the aggregate value of the recurrent related party transactions entered into by the Group pursuant to the shareholders' mandate obtained during the 47th AGM held on 20 April 2017 is as follows:

Transacting Parties	Interested Related Parties	Nature of Transaction	[2] Actual Value Transacted (21 April 2017 – 13 February 2018 (RM' million)
CBAS and the Group	LL, GJF, RAL and CBAS	Purchase of raw materials (hops, yeasts, aroma etc) and related services from CBAS	0.5
CBAS and the Group	LL, GJF, RAL and CBAS	Royalties payable to CBAS for inter alia, the exclusive use of trademark licences and supply of technical and commercial assistance	31.8
DMG and the Group	LL, GJF, RAL and CBAS	Purchase of raw materials (malts) from DMG	0.0
CBS and the Group	LL, GJF, RAL and CBAS	Purchase of IT services from CBS	0.0
CSCAG and the Group	LL, GJF, RAL and CBAS	Purchase of materials and services (Advertising & Promotion items) from CSCAG	2.9
BK and the Group	LL, GJF, RAL and CBAS	Purchase of beverage products from BK	0.0
CVBL and the Group	LL, GJF, RAL and CBAS	Purchase of beverage products from CVBL	19.1
CHKL and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to CHKL	45.3
CTT and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to CTT	1.5
CBDCL and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to CBDCL	0.0
CBHKL and the Group	LL, GJF, RAL and CBAS	Provision of administrative support services from CBHKL	7.5
CCDOO and the Group	LL, GJF, RAL and CBAS	Purchase of beverage products from CCDOO	0.4
LAO and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to LAO	0.4
LBCL and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to LBCL	0.0
CSCAL and the Group	LL, GJF, RAL and CBAS	Purchase of beverage products from CSCAL	0.0
CSCAL and the Group	LL, GJF, RAL and CBAS	Provision of administrative support services from CSCAL	0.0
CGBL and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to CGBL	0.0
CSCAG and the Group	LL, GJF, RAL and CBAS	Sale and supply of goods to CSCAG	0.0
CSCAL and the Group	LL, GJF, RAL and CBAS	Purchase of beverage products and provision of administrative support services from CSCAL	1.9

LIST OF RECURRENT RELATED PARTY TRANSACTIONS

Notes:

(1) *The above actual value of the recurrent related party transactions is for the period 21 April 2017 to 13 February 2018.*

(2) *The nature of relationship with the above Related Parties is as follows as at 13 February 2018:*

(i) *CBAS is the holding company and Major Shareholder of the Company, holding an equity interest of 51.0% in the Company. The Company in turn holds 100% interest in both CMSB and CSPL.*

(ii) *GJF and RAL, who are Non-Executive Directors of the Company, are the Executive Vice-President, Asia of CBAS and Vice President Finance, Asia of CBAS respectively. LL is the Managing Director of the Company. All the three (3) Directors namely, GJF, RAL and LL are nominees/representatives of CBAS and do not hold any shares in CBAS or the Company.*

(iii) *BK, CBGL, CBHKL, CBDCL, CBS, CHKL, CTT, CSCAG, CSCAL, CVBL, CCDOO, DMG and LAO are subsidiaries of CBAS and do not hold any direct equity interest in the Company.*

(iv) *CBAS holds 49.6% equity interest in CTT.*

(v) *The Company holds 25.0% equity interest in LBCL.*

Abbreviations:

BK	-	Brasseries Kronenbourg SAS
CBAS	-	Carlsberg Breweries A/S
CBGL	-	Carlsberg Brewery (Guangdong) Ltd.
CBS	-	Carlsberg Business Solution
CBDCL	-	CB Distribution Co. Ltd.
CBHKL	-	Carlsberg Brewery Hong Kong Ltd.
CCDOO	-	Carlsberg Croatia D.O.O
CHKL	-	Carlsberg Hong Kong Ltd.
CMSB	-	Carlsberg Marketing Sdn. Bhd.
CSCAG	-	Carlsberg Supply Company AG
CSCAL	-	Carlsberg Supply Co. Asia Ltd.
CSPL	-	Carlsberg Singapore Pte. Ltd.
CTT	-	Carlsberg Taiwan Trading
CVBL	-	Carlsberg Vietnam Breweries Limited
DMG	-	Danish Malting Group A/S
GJF	-	Graham James Fewkes
Group	-	Company and its wholly-owned subsidiaries, namely Carlsberg Marketing Sdn. Bhd., Euro Distributors Sdn. Bhd. and Carlsberg Singapore Pte. Ltd.
LAO	-	Lao Brewery Co. Ltd.
LBCL	-	Lion Brewery Ceylon Limited
LL	-	Lars Lehmann
RAL	-	Roland Arthur Lawrence

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Eighth (48th) Annual General Meeting of the Company will be held at Sime Darby Convention Centre, Ballroom 1 & 2, First Floor, 1A, Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 12 April 2018 at 11.00 a.m. for the following purposes:

AGENDA:

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' reports thereon. **Ordinary Resolution 1**

2. To approve the payment of a Final Dividend of 66 sen per ordinary share in respect of the financial year ended 31 December 2017. **Ordinary Resolution 2**

3. To approve the payment of a Special Dividend of 11 sen per ordinary share in respect of the financial year ended 31 December 2017. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees and benefits of RM238,472 for the financial year ended 31 December 2017. **Ordinary Resolution 4**

5. To approve the payment of Directors' fees and benefits up to an amount of RM437,000 for the period from 1 January 2018 until 31 December 2018. **Ordinary Resolution 5**

6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

Special Business

7. To consider, and if thought fit, to pass the following Resolutions:-

RE-ELECTION OF DIRECTORS

(a) THAT Roland Arthur Lawrence, who retires pursuant to Article 92(a) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 7**

(b) THAT Graham James Fewkes, who retires pursuant to Article 92(a) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 8**

(c) THAT Datuk Toh Ah Wah, who retires pursuant to Article 92(e) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 9**

(d) THAT Michelle Tanya Achuthan, who retires pursuant to Article 92(e) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 10**

NOTICE OF ANNUAL GENERAL MEETING

To consider, and if thought fit, to pass the following Resolutions, with or without modifications, as Ordinary Resolutions of the Company:

8. **AUTHORITY FOR DIRECTORS TO ALLOT SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 11**

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 12**

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3(a) of the Circular to Shareholders dated 12 March 2018 ("the Related Party") provided that such transactions are:-

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms and transaction prices which are not more favourable to the Related Party than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company,

("the Shareholders' Mandate").

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by shareholders of the Company in a general meeting,

whichever is the earliest;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

10. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 13**

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3(b) of the Circular to Shareholders dated 12 March 2018 ("the Related Party") provided that such transactions and/or arrangements are:-

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms and transaction prices which are not more favourable to the Related Party than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company,

("the Shareholders' Mandate").

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
(b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is the earliest;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

11. To consider any other business of which due notice shall be given in accordance with the Companies Act 2016 and the Company's Constitution.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND PAYMENT AND CLOSURE OF REGISTER

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Forty-Eighth (48th) Annual General Meeting to be held on Thursday, 12 April 2018, a Final Dividend of 66 sen per ordinary share and Special Dividend of 11 sen per ordinary share in respect of the financial year ended 31 December 2017 will be payable on 18 May 2018 to shareholders registered in the Register of Members and Record of Depositors at the close of business on 4 May 2018.

A depositor shall qualify for entitlement to the dividends only in respect of:

(a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 4 May 2018 in respect of transfers;
(b) Shares deposited into the Depositor's securities account before 12.30 p.m. on 30 April 2018 (in respect of shares which are exempted from mandatory deposit); and
(c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Lim Chee Keat (MIA 14827)
Lu Kee Chee (LS 0009744)
Secretaries

Shah Alam
12 March 2018

Notes:

1. *A Member entitled to attend and vote at the meeting is entitled to appoint **ONE** person as his proxy to attend and vote in his stead at the meeting. A proxy need not be a Member of the Company.*

2. *If a Member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.*

3. *Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it shall be entitled to appoint at least one proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *Where the Proxy Form is executed by a corporation, it must be either under its Seal or under the hand of an officer or attorney duly authorised.*

6. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(9)(a) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 6 April 2018 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

EXPLANATORY NOTE

(i) Ordinary Resolution 4 – Directors Fees and Benefits 2017

The payment of the Directors' fees and benefits for financial year ended 31 December 2017, the details of which are set out in Corporate Governance Overview Statement on page 81 of the Annual Report.

(ii) Ordinary Resolution 5 – Directors' Fees and Benefits 2018

The Directors' fees and benefits proposed for the period from 1 January 2018 up to 31 December 2018 are calculated based on the current Board size and number of scheduled Board and Committee meetings for 2018. This resolution is to facilitate payment of Directors' fees and benefits on a current financial year basis. In the event the proposed amount is insufficient, e.g. due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

(iii) Ordinary Resolution 6 – Re-appointment of Auditors

The Audit and Risk Management Committee and the Board had, at its meetings held on 14 February 2018, considered the re-appointment of Messrs PriecewaterhouseCoopers PLT (PWC) as Auditors of the Company and collectively agreed that PWC has the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Ordinary Resolutions 7 to 10 – Re-election of Directors

The business on re-election of Directors that is to be transacted at the Annual General Meeting is deemed special pursuant to Article 51 of the Constitution of the Company.

The Board had carried out assessment on the independence of Datuk Toh Ah Wah and Michelle Tanya Achuthan, the Independent Directors who are standing for re-election and is satisfied that they both met the criteria of independence as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

(ii) Ordinary Resolution 11 – Authority for Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

This resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting ("AGM"), authority to allot shares in the Company up to and not exceeding in total ten per cent (10%) of the total number of issued shares of the Company for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

This mandate is a renewal of the last mandate granted to the Directors at the Forty-Seventh (47th) Annual General Meeting held on 20 April 2017 and which will lapse at the conclusion of the Forty-Eighth (48th) Annual General Meeting.

As at the date of this Notice, no new shares in the Company were issued pursuant to the last mandate.

The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions.

(iii) Ordinary Resolution 12 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")

The detailed text on Ordinary Resolution 12 on the Proposed Renewal of Shareholders' Mandate is included in the Circular to Shareholders dated 12 March 2018 which is enclosed together with the Annual Report.

(iv) Ordinary Resolution 13 – Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")

The detailed text on Ordinary Resolution 13 on the Proposed New Shareholders' Mandate is included in the Circular to Shareholders dated 12 March 2018 which is enclosed together with the Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority For Directors To Allot Shares Pursuant To Sections 75 and 76 Of The Companies Act 2016

Kindly refer to item (ii) of Explanatory Notes On Special Business at page 187.

NO. OF SHARES HELD	
CDS ACCOUNT NO.	

Carlsberg Malaysia

FORM OF PROXY

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No. 9210-K)
(Incorporated in Malaysia)

I/We, ______________________________ I.C./Passport/Company No. ______________________________

of ____

being a member of the abovenamed Company, hereby appoint ______________________________

I.C./Passport No. ______________________________ of ______________________________

OR failing him/her ______________________________ I.C./Passport No. ______________________________

of ____

OR failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Forty-Eighth (48th) Annual General Meeting of the Company to be held at Sime Darby Convention Centre, Ballroom 1 & 2, First Floor, 1A, Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 12 April 2018 at 11.00 a.m., and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he thinks fit or abstain from voting):

RESOLUTION	AGENDA	FOR	AGAINST
Ordinary Resolution 1	Receipt of the Directors' and Auditors' Reports and Audited Financial Statements for the financial year ended 31 December 2017.		
Ordinary Resolution 2	Payment of a Final Dividend of 66 sen per ordinary share.		
Ordinary Resolution 3	Payment of a Special Dividend of 11 sen per ordinary share.		
Ordinary Resolution 4	Approval of Directors' fees and benefits of RM238,472 for the financial year ended 31 December 2017.		
Ordinary Resolution 5	Approval of Directors' fees and benefits up to an amount of RM437,000 for the period from 1 January 2018 until 31 December 2018.		
Ordinary Resolution 6	Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors and authorise the Directors to fix their remuneration.		
Ordinary Resolution 7	Re-election of Roland Arthur Lawrence as Director.		
Ordinary Resolution 8	Re-election of Graham James Fewkes as Director.		
Ordinary Resolution 9	Re-election of Datuk Toh Ah Wah as Director.		
Ordinary Resolution 10	Re-election of Michelle Tanya Achuthan as Director.		
Ordinary Resolution 11	Authority for Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 12	Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
Ordinary Resolution 13	Proposed new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.		

Please indicate with a tick (√) how you wish your vote to be cast in respect of each resolution above.

As witness my/our hand this ______________ day of ______________________________ 2018.

Signed by the said ____

Notes:

1. *A member entitled to attend and vote at the meeting is entitled to appoint ONE person as his proxy to attend and vote in his stead at the meeting. A proxy need not be a member of the Company.*
2. *If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.*
3. *Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it shall be entitled to appoint at least one proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *Where the Proxy Form is executed by a corporation, it must be either under its Seal or under the hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(9)(a) of the Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 6 April 2018 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

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SHARE REGISTRAR

CARLSBERG BREWERY MALAYSIA BERHAD (9210-K)

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

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CORPORATE INFORMATION

DIRECTORS

Dato' Lim Say Chong
J.S.M.,D.M.P.N.
Chairman

Lars Lehmann
Managing Director

Roland Arthur Lawrence
Non-Executive Director

Chew Hoy Ping
Independent Non-Executive Director

Graham James Fewkes
Non-Executive Director

Datuk Toh Ah Wah
P.M.W.
Independent Non-Executive Director

Michelle Tanya Achuthan
Independent Non-Executive Director

COMPANY SECRETARY

Lim Chee Keat
(MIA 14827)

Lu Kee Chee
(LS 0009744)

AUDITORS

PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat,
Kuala Lumpur Sentral,
50706 Kuala Lumpur,
Tel : +603 2173 1188
Fax : +603 2173 1288

PRINCIPAL BANKERS

Citibank Berhad
(Company No. 297089-M)

Public Bank Berhad
(Company No. 6463-H)

Deutsche Bank (Malaysia) Berhad
(312552-W)

BNP Paribas Malaysia Berhad
(918091-T)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 55, Persiaran Selangor,
Section 15,
40200 Shah Alam,
Selangor Darul Ehsan
Tel : +603 5522 6688
Fax : +603 5519 1931
Email : MYSMCorpAffairs@carlsberg.asia
Website : www.carlsbergmalaysia.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
(Company No. 11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603 2783 9299
Fax : +603 2783 9222
Email : is.enquiry@my.tricorglobal.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Carlsberg Brewery Malaysia Berhad (9210-K)
No. 55, Persiaran Selangor, Section 15
40200 Shah Alam, Selangor Darul Ehsan, Malaysia

Tel : +603 5522 6688 Fax : +603 5519 1931
www.carlsbergmalaysia.com.my